

# **ANNUAL REPORT AND FINANCIAL STATEMENTS**

## **HAYS PENSION SCHEME**

FOR THE YEAR ENDED 30 JUNE 2022

Scheme Registration Number: 10126076

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Hays Pension Scheme  
Scheme Advisers

<b>Scheme Trustee - Hays Pension Trustee Limited</b>	
<b>Directors</b>	
<i>Independent Directors</i>	The Law Debenture Pension Trust Corporation plc (Chairman) represented by S Burnard O Lahav, M J Hudson Allenbridge
<i>Company-Nominated Directors</i>	D Evans S Hill
<i>Member-Nominated Directors</i>	P Dungate I Pratt C Hill J Taylor (appointed 1 July 2021)
<b>Secretary</b>	K Bedford
<b>Scheme Advisers:</b>	
<b>Scheme Actuary</b> Alec Day Hymans Robertson LLP One London Wall London EC2Y 5EA	<b>Independent Auditor</b> BDO LLP 4 Atlantic Quay 70 York Street Glasgow G2 8JX
<b>Scheme Investment Adviser</b> Mercer Limited Tower Place West London EC3R 5BU	<b>Investment Custodian</b> BNY Mellon Asset Servicing One Canada Square Canary Wharf London E14 5AL
<b>Legal Adviser</b> Hogan Lovells International LLP Atlantic House Holborn Viaduct London EC1A 2FG	<b>Bankers</b> Lloyds Bank Plc PO Box 72 Bailey Drive Gillingham Kent ME8 0LS
<b>Scheme Administrator</b> Equiniti Pensions Solutions Sutherland House Russell Way Crawley West Sussex RH10 1UH	<b>Investment Adviser</b> MJ Hudson Allenbridge 1 Frederick's Place London EC2R 8AE

Hays Pension Scheme  
Scheme Advisers

<b>Investment Managers:</b>	
Nordea 6th Floor 5 Aldermanbury Square London EC2V 7AZ	Deutsche Bank Asset Management 25 Melville Street Edinburgh EH3 7PE
AVIVA Investors Jersey Unit Trust Management Limited Gaspé House 66-72 Esplanade St Helier Jersey JE2 3QT	Insight Investment Management (Global) Limited 160 Queen Victoria Street London EC4V 4LA
Mercer Global Investment Europe Limited Charlotte House Charlemont Street Dublin 2 Ireland	
<b>AVC Providers:</b>	
Aviva Life & Pensions UK Limited	
Prudential Life Assurance Company Limited	
<b>Principal Employer:</b>	
Hays plc 4 <sup>th</sup> Floor 20 Triton Street London NW1 3BF	
<b>Contact for further information or complaints about the Scheme:</b>	
Kath Bedford (Pensions Manager) Hays plc 4 <sup>th</sup> Floor 20 Triton Street London NW1 3BF Email: pensions@hays.com Telephone: 0333 010 7079	

# Hays Pension Scheme

## Review of the Management and Development of the Scheme

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### **Introduction**

This report relates to the operation of the Hays Pension Scheme (the "Scheme") during the year ended 30 June 2022.

The Scheme is a defined benefit arrangement that provides retirement benefits. Such benefits are calculated on formulae that take into account the member's salary and pensionable service. Benefits for members of the small defined contribution section were converted to defined benefits at 31 May 2022 and as such the Scheme is no longer a hybrid scheme.

The Scheme closed for the accrual of future benefits for active members on 30 June 2012.

### **Management of the Scheme**

#### **Operation of the Trustee**

The Trustee of the Scheme is Hays Pension Trustee Limited (the "Trustee") and the directors of the Trustee are shown on page 1. The power to appoint and remove the Trustee is vested in Hays plc ("Hays") under the Trust Deed of the Scheme. Under the Trustee's Articles of Association, directors are appointed and may be removed by Hays plc, but the Trustee also has the power to appoint any person to be a director either to fill a casual vacancy or as an addition to the existing directors. Member-nominated directors are appointed in accordance with a procedure agreed by the Trustee and which complies with relevant legislation. The Trustee decided to increase the number of directors from seven to eight and a new director was appointed with effect from 1 July 2021.

The directors maintain a business plan in order to assist in effectively managing the Scheme, which is reviewed at each Trustee meeting and amended as appropriate. The business plan includes procedures for ensuring that directors' training needs are reviewed and monitored and that the directors undertake regular and appropriate training to help ensure that they can supervise the management of the Scheme effectively. During the year, the Trustee met on four occasions. Decisions taken at meetings of the Trustee require the support of the majority of the directors and minutes are taken at meetings of the Trustee Board and of its sub-committees.

In order to ensure the effective and efficient conduct of business, the Trustee has established a number of sub-committees with specific responsibilities that are set out in formal terms of reference. Each sub-committee meets regularly and reports to the Trustee on its activities and their terms of reference are reviewed periodically by the Trustee.

In accordance with its Conflicts of Interest and Whistle-blowing Policy, the Trustee maintains a register of potential conflicts of interest in relation to its directors, officers and advisers. The register is kept under regular review and any potential conflict is notified and closely managed. Annually, the Trustee reviews its conflicts procedures to ensure that all potential conflicts have been properly notified and managed and that no potential conflict has operated against the interests of the Scheme or the Trustee. The most recent review was carried out in December 2021 and the Trustee confirms that the policy has operated effectively for the period commencing from its adoption to the review date.

Annually, the Trustee Board carries out a review of its own effectiveness. The latest review was carried out in December 2021.

#### **Financial development of the Scheme**

The Financial Statements on pages 17 to 32 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the fund decreased in value by £215.8 million from £907.6 million as at 30 June 2021 to £691.8 million as at 30 June 2022.

Hays plc paid £16.7 million (2021: £16.2 million) in the year in respect of deficit funding contributions (see 'Actuarial' section below).

Benefits and administration expenses paid from the Scheme in the year amounted to £39.6 million (2021: £31.4 million).

# Hays Pension Scheme

## Review of the Management and Development of the Scheme

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### **Financial development of the Scheme (continued)**

Details of the Scheme's investment strategy, performance and custody arrangements are included in the Investment Report on pages 8 to 12. The Investment Report, which has been prepared by the Trustee's investment adviser, Mercer Limited, has been reviewed by the Trustee and forms part of the Trustee's report to members.

The Financial Statements show the position of the Scheme at a particular point in time and, in order to understand the funding level of the Scheme, the Financial Statements should be read in conjunction with the actuarial valuation documents.

### **Actuarial**

The last full actuarial valuation was undertaken as at 30 June 2021 and the results from this were reviewed and signed off on 13 December 2021. The next formal actuarial valuation will be as at 30 June 2024.

Following the 2021 valuation, Hays and the Trustee agreed a deficit recovery plan with deficit recovery contributions of £16.7 million per annum commencing 1 July 2021, increasing by 3% each subsequent 1 July. The current recovery plan provides for these contributions to be paid until 13 December 2026. Technical Provision represents a prudent estimate of the cost of benefits accrued by members on an ongoing basis at the relevant date.

The Actuary has provided an annual funding update for the year to 30 June 2022. The Actuary has estimated that as at 30 June 2022, based on the funding principles agreed at the 2021 valuation, the deficit had increased from £23.9 million as at 30 June 2021 to an estimated deficit of £27.4 million at 30 June 2022, with the value of assets being 96% of the amount needed to cover the Scheme liabilities on a Technical Provisions basis. Over this period, the benefits for the majority of members were updated following the equalisation of GMPs. For those who have not yet had their benefits equalised as at June 2022, a 1.66% uplift has been applied to deferred liabilities and a 0.92% uplift has been applied to pensioner liabilities for GMP equalisation. This has been included in the liabilities as at 30 June 2022.

The Report on Actuarial Liabilities is on page 33.

### **Going concern**

The management of the Hays Pension Scheme, together with the factors likely to affect its future development, performance, and financial position are set out in the Annual Report and Financial Statements.

The Hays Pension Scheme holds financial resources in the form of the Scheme's investments. As at 30 June 2022 the value of the assets were estimated to be 96.2% of the amount required to cover the Scheme liabilities on a Technical Provisions basis. These investments together with the bulk annuity income receivable from Canada Life Limited (in relation to pensioner payments for all pensioners of the Scheme as at 31 December 2017), and the additional employer deficit funding contributions receivable from Hays plc currently agreed until 13 December 2026, will continue to provide sufficient sources of liquidity to fund the Scheme.

The directors consider that the continuance of additional employer deficit funding contributions in line with the agreement is supported by the following:

- the formal Employer Covenant Review of Hays plc and its Subsidiaries performed by Ernst & Young LLP dated 21 October 2021 (as part of the 2021 triennial valuation) concluded that the Employer covenant remained strong;
- the Hays plc financial statements for the year ended 30 June 2022 having an unmodified audit opinion from PricewaterhouseCoopers LLP dated 24 August 2022; and
- the receipt of the agreed deficit funding payments throughout the year ended 30 June 2022 and subsequent contributions being received to date.

Therefore, the Scheme is well-placed to manage its risks and contractual commitments and neither the employer nor the directors have discussed plans to wind up the Scheme in the next 12 months.

# Hays Pension Scheme

## Review of the Management and Development of the Scheme

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### **Going concern (continued)**

After making enquiries, the directors of the Scheme have formed the judgment at the time of approving the Financial Statements that there is a reasonable expectation that the Scheme has adequate resources to continue in existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis of accounting in preparing the Financial Statements.

### **GMP equalisation**

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. The Trustee of the Scheme is aware that the issue will affect the Scheme and is happy to report that a significant number of both deferred members and pensioners have now had their benefits equalised. Based on the actual payments made to the pensioners and an assessment of the backdated and related interest payments that will be due in relation to the remaining pensioners, the Trustee does not expect these to be material to the Financial Statements and therefore has not included a liability in respect of these matters in these Financial Statements. They will be accounted for in the year they are determined.

On 20 November 2020, the High Court handed down a further judgment on the Guaranteed Minimum Pension (GMP) equalisation case in relation to the Lloyds Banking Group pension schemes. This latest judgment confirms that Defined Benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Scheme has experienced historical transfers out which will be subject to adjustment as a result of this second ruling.

We estimate that the impact of this ruling will not be material in the context of the Scheme's overall liabilities.

### **Pension review**

Subject to certain caps and exceptions, the Trustee increases pensions in payment for the main Scheme payroll at 1 July each year in accordance with the change in the Retail Prices Index (RPI) over the preceding 12 months ending on 31 March. The annual RPI figure for 31 March 2021 was 9%. Subject to the exceptions below, all benefits accrued between 6 April 1997 and 1 July 2006 the increase to pensions in payment was 5% (capped at 5% in accordance with the Scheme Rules). For all benefits accrued post 1 July 2006, subject to the exceptions below, the increase to pensions in payment was also 2.5% (capped at 2.5% in accordance with the Scheme Rules).

The following benefits were awarded different increases in 2022 in accordance with the Rules or practice of the Scheme:

- i) post 1988 Guaranteed Minimum Pensions were increased by 3.0% in April;
- ii) pensions in the Axis Resources category were increased in April by 3% for pre 1997 benefits and by 5% for post 1997 benefits;
- iii) pensions in the EPS category were increased in May by 5% where applicable for pre 1997 benefits and by 4.9% for post 1997 benefits;
- iv) the annual increase under the Career Care category was 5% for all pre 2006 pension benefits; and 2.5% for post 2006 pension benefits;
- v) new excess pension (resulting from equalising benefits and ceasing post 1988 Guaranteed Minimum Pension) were increased by 3%;
- vi) no discretionary increases were awarded to Pensioners in the year.

Hays Pension Scheme  
Review of the Management and Development of the Scheme

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**Further information**

Requests for information relating to a member's own benefits should be sent to the Scheme Administrator, Equiniti Pensions Solutions, at the address on page 1. Any queries about the Scheme generally should be made to Kath Bedford at the address given on page 2.

**Approval**

This Trustee Report, including the membership on page 7, the Investment Report on pages 8 to 12 and the Statement of Trustee's Responsibilities on page 13 were approved by The Trustee on 13 October 2022.

**Signed for and on behalf of Hays Pension Trustee Limited**

**S Burnard**  
**Representing The Law Debenture Pension Trust Corporation PLC**  
**(Chairman)**

## Hays Pension Scheme Membership

### Membership

Details of the membership of the Scheme are given below:

	<b>2022</b>	<b>2021</b>
<b>Pensioners</b>		
Pensioners at the start of the year	2,980	2,920
Adjustments		
via death, commutation or cessation	(20)	(15)
via retirement or dependant set up	21	28
Members retiring during the year	116	89
Spouses and dependants	26	51
Commutation of pension in payment	(17)	(9)
Pensioners who died during the year	(69)	(81)
Dependant ceasing	(2)	(3)
<b>Pensioners at the end of the year</b>	<b>3,035</b>	<b>2,980</b>
<b>Deferred members</b>		
Deferred members at the start of the year	3,952	4,132
Adjustments		
via death, commutation or cessation	(1)	(16)
via retirement or transfer	(12)	(11)
Retirements	(116)	(89)
Transfers out during the year	(45)	(43)
Trivial Commutations during the year	(5)	(12)
Deaths in deferment	(8)	(9)
<b>Deferred members at the end of the year</b>	<b>3,765</b>	<b>3,952</b>
<b>Pensions purchased with Aviva*</b>		
Pensioners at the start of the year	103	121
Pensioners who died during the year	(12)	(18)
<b>Pensioners at the end of the year</b>	<b>91</b>	<b>103</b>
<b>Total membership at the end of the year</b>	<b>6,891</b>	<b>7,035</b>

In the above table, pensioners include individuals receiving a pension upon the death of their spouse.

\*Aviva was previously known as Norwich Union.

# Hays Pension Scheme Investment Report

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## **Introduction**

The Scheme is divided into two sections: the Defined Benefit Section and Members' Additional Voluntary Contributions ('AVC') Section.

## **Defined Benefit Section**

### **Investment Strategy**

The Trustee is responsible for determining the Scheme's investment strategy. The Trustee has set the investment strategy for the Scheme after taking advice from the Scheme's investment adviser. The Trustee has put in place mandates with their investment managers to implement this strategy.

Over the year to 30 June 2022, the Trustee made the following changes to the Scheme's investment strategy:

- The Trustee agreed to partly rebalance the Scheme's assets, which took place in December 2021. This involved disinvesting £15.0 million from the Insight LDI Portfolio and re-investing the proceeds into the Mercer Multi-Asset Credit Fund.
- The Scheme completed a hedge restructure in January 2022, with the Trustee agreeing to move to 85% hedge ratio targets for interest rates and inflation, measured on a gilts -0.1% p.a. basis.

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee. None of the Scheme's investment managers notified the Trustee of any breaches and it has been reviewed during the year, to reflect the investment strategy changes mentioned above. A copy of the Statement of Investment Principles is available via the following link: <https://www.hayspensionscheme.com/document-store>

### **Policy on ESG, Climate Change and Stewardship**

The Trustee believes that environmental, social and governance ("ESG") factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, such as climate change, present risk and opportunities that increasingly may require explicit consideration.

The Trustee has given the appointed investment managers full discretion when evaluating ESG issues, including climate change considerations, and in exercising voting rights and stewardship obligations attached to the Scheme's investments in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented annually.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

The Trustee does not currently explicitly consult members when making investment decisions.

# Hays Pension Scheme Investment Report

## Defined Benefit Section (continued)

### Investment Management

The Trustee has delegated the day-to-day management of the investments to professional external investment managers. These managers, which are regulated by the Financial Conduct Authority in the United Kingdom or equivalent regulators if domiciled overseas, manage the investments within the restrictions set out in the Statement of Investment Principles.

The Trustee invests in segregated portfolios, pooled investment vehicles and derivative contracts. The Trustee has authorised the use of derivatives by the investment managers for efficient portfolio management purposes and to reduce certain investment risks.

Where the Scheme's assets are managed on a segregated basis, the mandates put in place by the Trustee specify how rights attached to them are actioned. This includes, where appropriate, active voting and an expectation that environmental, social and governance factors will be considered when making investment decisions. The Trustee has no direct influence over the underlying assets within pooled investment vehicles held by the Scheme but reviews the managers' policies and statements of compliance in respect of these matters.

Further details are included in the Statement of Investment Principles referenced above.

The table below illustrates the distribution of assets held by the Defined Benefit section of the Scheme at 30 June 2022 and 30 June 2021. The table also shows the benchmark asset allocation as at 30 June 2022.

Asset Class	30 June 2022 (%)	30 June 2021 (%)	Benchmark (%)
Synthetic Equity	4.4	3.3	3.0
<i>UK</i>	1.5	1.0	1.0
<i>World</i>	2.9	2.3	2.0
Absolute Return	6.7	5.0	4.5
Global Multi-Asset Credit	11.4	7.3	9.0
Cash	0.7	1.0	-
Corporate Bonds	22.6	19.3	18.5
Short Dated Corporate Bonds	12.6	9.7	9.5
Property	14.1	9.5	10.0
LDI Mandate <sup>1</sup>	29.8	45.8	48.5
Cash Drawdown Sub-Portfolio	2.5	2.2	-
Short Cash Exposure <sup>2</sup>	-4.8	-3.1	-3.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Current Market Value (exc Buy-in Policy)<sup>3</sup></b>	<b>£468.4m</b>	<b>£639.5m</b>	-
<b>Buy-in Policy<sup>4</sup></b>	<b>£213.5m</b>	<b>£257.6m</b>	-
<b>Current market value (inc Buy-in Policy)<sup>5</sup></b>	<b>£681.9m</b>	<b>£897.1m</b>	-

Source: Investment Managers. Bid values sourced from Investment Managers where possible, otherwise mid/single price values provided by Investment Managers.

1. LDI mandate comprises of UK Gilts; Network Rail Bonds; cash and derivative positions.
2. Valuation represents synthetic equity notional exposure.
3. Excludes the cash held and unrealised profit/loss on the currency hedge overlay portfolio with Insight of c. -£1.8 million as at 30 June 2022 and c. £0.09 million as at 30 June 2021.
4. Bought-in insured pensioners on the Technical Provisions basis, sourced from Hymans. Excludes non bought-in insured pensioners.
5. Excludes AVCs (£3.5 million as at 30 June 2022 and £3.9 million as at 30 June 2021).

## Hays Pension Scheme Investment Report

### Defined Benefit Section (continued)

#### Investment Management (continued)

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and considers them to be appropriate relative to the reasons for holding each class of investment. More details about investment are given in the notes to the accounts.

#### Investment Performance

The long term performance shown below has been estimated by Mercer and incorporates the portfolio restructuring that has occurred over the periods shown.

	Three Years to 30 June 2022		Five Years to 30 June 2022	
	Fund (% p.a.)	B'mark (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)
<b>Total Return</b>	-5.0	-5.3	0.1	0.0

Source: Mercer, net of fees. Total Return includes the impact of the LDI mandate with Insight and currency hedging.

The table below sets out the net of fees returns achieved by the Scheme's managers, against their respective benchmarks for the one year period and period since inception to 30 June 2022.

Manager	Mandate	1 Year (%)		Since Inception (% p.a.)	
		Fund	B'Mark	Fund	B'Mark
Insight	Synthetic Equity	-1.6	-1.6	6.9	6.9
Nordea	Absolute Return	-2.7	4.3	2.7	4.5
Mercer	Multi-Asset Credit	-8.7	-10.1	2.3	1.9
Deutsche <sup>1</sup>	Cash	2.7	0.3	0.6	0.3
Aviva	HLV Property	11.9	2.3	6.6	6.6
Insight	Credit	-14.4	-14.7	4.6	4.1
Insight	Short-Dated Credit <sup>2</sup>	-5.1	-5.6	-3.7	-3.7
<b>Total Return<sup>3</sup></b>		<b>-25.4</b>	<b>-25.9</b>	<b>5.3</b>	<b>5.4</b>

Source: Investment managers, net of fees. Mercer estimates and Thomson Reuters Datastream.

1. The cash fund held with Standard Life was amalgamated into Deutsche Global Liquidity Series PLC on 1 June 2011. Since inception performance shown is sourced from Standard Life to 31 May 2011 and from Deutsche thereafter.
2. The fund inception date was 5 January 2021.
3. Total performance figures have been estimated by Mercer and include the impact of the Liability Driven Investment ("LDI") mandate with Insight and currency hedging.

The Trustee receive reports from their investment advisers, on a quarterly basis, showing actual performance by manager and fund. Investment managers are also invited to present to the Trustee's Investment Sub-Committee on a regular basis.

#### Custodial arrangements

As the Trustee predominantly invests in pooled investment vehicles, the safekeeping of the underlying assets is undertaken by parties selected by the investment managers.

In relation to the segregated mandate, the Trustee has appointed BNY Mellon Asset Servicing ("BNY Mellon") as custodian. BNY Mellon are responsible for the safekeeping of the investments, the settlement of all portfolio transactions, the collection of income from securities, tax reclaims, foreign currency transactions and cash management.

# Hays Pension Scheme Investment Report

## Members' Additional Voluntary Contributions Section

In addition to the Defined Benefit section, the Scheme also consists of members' Additional Voluntary Contributions ("AVC"). The AVC assets are managed by Aviva and Prudential.

The table below illustrates the total asset values held by the AVC Section of the Scheme at the beginning and end of the year to 30 June 2022.

	30 June 2022	30 June 2021
<b>Total Market Value</b>	<b>£3.9 million</b>	<b>£3.9 million</b>

## Market Background

The pandemic reopening rebound in July and August 2021 in developed countries drove risk-on sentiment initially. However, some emerging economies re-imposed restrictions, which added to already existing supply chain pressures. The supply impact was felt with increasing intensity in September with bottlenecks in a large number of areas. One major event was a run on UK petrol stations at the end of September after rumours of fuel shortages became a self-fulfilling prophecy. Soaring energy futures prices in the UK and continental Europe led to a further deterioration in sentiment. In the emerging world, China's attempt to deflate its property market by tightening credit increased financial distress and led to the bankruptcy of some large property developers, most notably Evergrande. This came in addition to its disruptive regulatory campaign that created enormous uncertainty for Chinese companies and led to a sharp deterioration in business sentiment.

The fourth quarter of 2021 did not bring much better news for investors. Persistently high inflation in both developed and emerging countries prompted central banks to become more hawkish. Tightening in emerging markets that had already started reacting earlier in the year continued. The Federal Reserve began to taper asset purchases, setting the stage for interest rate rises in 2022. The Bank of England increased rates by 15bps to 0.25% in December. Only the European Central Bank and Bank of Japan remained on the fence. There was a further Covid-19 variant scare from late November onwards but with a more limited impact this time. International travel restrictions were somewhat tightened and only few countries in continental Europe re-imposed meaningful domestic restrictions. The US and UK opted instead for a more pragmatic approach of keeping their economies open and focusing on making booster vaccinations more widely available. Some optimism returned late in the year as existing vaccines proved to still be sufficiently effective against severe symptoms whilst the new variant also appeared to be less severe than feared, although more contagious.

At first, 2022 started on a positive note. The continued absence of far-reaching Covid restrictions in developed countries supported demand. Although inflation came in at elevated levels, a combination of improving supply chains and moderate monetary tightening was expected to bring it under control. The invasion of Ukraine and subsequent spike in commodity markets completely changed this narrative, however. Central banks were forced to accelerate the pace of tightening even as growth expectations were dialled down. The recovery in supply chains was nipped in the bud both due to the conflict, sanctions on Russia and China locking down large swaths of its economy.

The second quarter of 2022 saw a continuation of the broad macro trends seen since the beginning of 2022. Surging commodity prices, to a large degree the result of the ongoing conflict in Ukraine and associated sanctions against Russia, and the aftermath of the enormous monetary and fiscal stimulus of the last two years led to new multi-decade inflation records. The impact of Chinese lockdowns on supply chains exacerbated this further. Central banks in many major regions doubled down on monetary tightening as a consequence, resulting in elevated market volatility and a sell-off in pretty much all asset classes except commodities. Growth expectations were dialled down drastically over the quarter, with a growing number of investors seeing a recession as an increasingly plausible scenario.

## Hays Pension Scheme Investment Report

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### **Market Background (continued)**

Overall, the 12-month period to June 2022 was shaped by an initial six month period of strong global economic recovery supported by economies reopening, higher increased household savings being spent and loose monetary policy. This benign inflationary growth environment turned into a stagflationary environment during the first half of 2022 amid spiralling inflation, tightening financial conditions and soaring commodity prices.

### **Employer - Related Investments**

The Trustee reviews its allocation to employer-related investments on an on-going basis and is satisfied that the proportion of Scheme's assets in employer-related investments does not exceed 5% of the market value of the Scheme's assets as at 30 June 2022, meaning the Scheme complies with legislative requirements. This will continue to be monitored on an annual basis.

## Hays Pension Scheme Statement of Trustee's Responsibilities

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### **Statement of Trustee's Responsibilities**

The Financial Statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS102) are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited Financial Statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the Financial Statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the Financial Statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable to the Scheme by or on behalf of the employer and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

# Hays Pension Scheme Independent Auditor's Report

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## To the Trustee of Hays Pension Scheme

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 30 June 2022 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements of Hays Pension Scheme ('the Scheme') for the year ended 30 June 2022 which comprise the Fund Account, Statement of Net Assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice – *Financial Reports of Pension Schemes* (revised 2018).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

# Hays Pension Scheme

## Independent Auditor's Report

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### **Other information**

The Trustee is responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Trustee**

As explained more fully in the Statement of Trustee's Responsibilities, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the Plan's legal and regulatory frameworks, focusing on those which we determine to be the most significant, and how the Plan complies with these.
- Enquiring of the Trustees, and where appropriate, the administrators or consultants as to whether:
- the Plan is in compliance with laws and regulations that have a material effect on the financial statements;
- they have knowledge of any actual, suspected or alleged fraud;
- any reports have been made to the Pensions Regulator.

Based on our understanding of the Scheme, we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Acts 1995 and 2004 and those that relate to the reporting framework (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 and the Statement of Recommended Practice 'Financial Reports of Pensions Schemes' 2018 ('The SORP')); and we considered the extent to which non-compliance might have a material effect on the financial statements.

# Hays Pension Scheme Independent Auditor's Report

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## **Auditor's responsibilities for the audit of the financial statements (continued)**

We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls by the Trustees and those involved in the preparation of the financial statements and underlying accounting records. We determined that the principal risk was related to the posting of inappropriate journals, which may act to conceal fraudulent activity.

Audit procedures performed to respond to the identified risks included, but were not limited to, the following:

- Testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- Enquiring of management and those charged with governance with regard to actual and potential litigation and claims.
- Reviewing the disclosures in the financial statements and testing to supporting documentation to assess compliance with relevant laws and regulations, as detailed above.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing any significant correspondence with the Pensions Regulator.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the Scheme's Trustee in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Scheme's Trustee for our audit work, for this report, or for the opinions we have formed.

**BDO LLP**  
*Statutory auditor*  
Glasgow  
United Kingdom

Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Hays Pension Scheme  
Fund Account for the year ended 30 June 2022

	Note	2022 £'000	2021 £'000
<b>Contributions and benefits</b>			
Employer contributions	4	16,701	16,215
Other income	5	22	36
		<u>16,723</u>	<u>16,251</u>
Benefits paid or payable	6	(20,300)	(17,255)
Payments to and on account of leavers	7	(16,702)	(11,817)
Administrative expenses	8	(2,557)	(2,282)
Other payments	9	(43)	(29)
		<u>(39,602)</u>	<u>(31,383)</u>
<b>Net withdrawals from dealings with members</b>		<u>(22,879)</u>	<u>(15,132)</u>
<b>Returns on investments</b>			
Investment income	10	20,912	23,109
Change in market value of investments	11	(212,516)	(67,530)
Investment management expenses	13	(1,335)	(2,540)
Net returns on investments		<u>(192,939)</u>	<u>(46,961)</u>
<b>Net decrease in the fund during the year</b>		<b>(215,818)</b>	<b>(62,093)</b>
<b>Net assets of the Scheme</b>			
<b>As at 1 July</b>		<u>907,608</u>	<u>969,701</u>
<b>As at 30 June</b>		<u>691,790</u>	<u>907,608</u>

The notes on pages 19 to 32 form part of these Financial Statements.

Hays Pension Scheme  
Statement of Net Assets as at 30 June 2022

	Note	2022 £'000	2021 £'000
<b>Investment assets</b>			
Bonds	11	373,752	482,029
Pooled investment vehicles	14	338,859	349,767
Derivatives	15	549,025	835,705
AVC investments	18	3,902	3,939
Insurance policies	17	219,004	263,956
Cash deposits	11	-	6,322
Income receivable	11	2,412	3,177
Other investment balances	11	-	15,822
		<b>1,486,954</b>	<b>1,960,717</b>
<b>Investment liabilities</b>			
Repurchase agreements	16	225,957	202,584
Derivatives	15	568,063	839,585
Cash deposits	11	498	-
Other investment balances	11	2,345	11,229
		<b>796,863</b>	<b>1,053,398</b>
<b>Total net investments</b>		<b>690,091</b>	<b>907,319</b>
Current assets	22	3,436	2,344
Current liabilities	23	(1,737)	(2,055)
<b>Net current assets</b>		<b>1,699</b>	<b>289</b>
<b>Net assets of the Scheme</b>		<b>691,790</b>	<b>907,608</b>

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions or other benefits which fall due after the year end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on page 33 of the Annual Report and these Financial Statements should be read in conjunction with this report.

The notes on pages 19 to 32 form part of these Financial Statements.

These Financial Statements were approved by Hays Pension Trustee Limited on 13 October 2022.

.....Trustee Director

.....Trustee Director

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2022

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**1. Basis of preparation**

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (Revised 2018).

**2. Identification of the financial statements**

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's Report.

**3. Accounting policies**

The principal accounting policies adopted by the Trustee of the Scheme are as follows:-

**A. Contributions and other income**

Contributions and other income are accounted for as follows:-

- (i) Employers' deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions.
- (ii) Other income is on an accruals basis.

**B. Transfers**

Individual transfers out of the Scheme are accounted for when the member liability is discharged which is normally when the transfer amount is paid.

**C. Benefits and expenses**

Benefits are accounted for in the period in which they fall due. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if later or there is no choice, on the date of retiring or leaving.

**D. Investments**

- (i) Quoted investments are included in the Statement of Net Assets at their market value at the year end. UK listed securities and foreign securities quoted on a recognised stock exchange are stated at bid or single price market values with foreign investments being converted into sterling at the exchange rates ruling at the end of the year. UK listed securities traded through the London Stock Exchange Electronic Trading Service (SETS) are valued on the basis of the last SETS trading price.
- (ii) Gains and losses arising on the valuation of investments, together with exchange gains and losses arising on the translation of investments, are included as part of the change in market value of investments.
- (iii) Authorised Unit Trusts are valued at the bid or single price listed in the Stock Exchange Daily Official List showing the date of Statement of Net Assets.
- (iv) Unauthorised Unit Trusts Exempt Funds are valued at the bid or single prices calculated on the last working day of each month during the period.
- (v) Funds invested by members to secure additional benefits are included in the Statement of Net Assets as AVC investments and stated at the value as advised by the provider.
- (vi) Valuations of bonds are stated at the fair-market values on a 'clean' basis (i.e. excluding interest). Accrued interest at the period end is included in other investment balances.
- (vii) Foreign income is converted into sterling at the rate ruling at the date of transaction. Foreign income due at the year end and foreign currency assets and liabilities are converted at the exchange rates ruling at the year end. Differences arising on translation of current assets and liabilities are included in the change in market value of investments. The investment managers have taken appropriate action to safeguard against adverse exchange rate fluctuations.
- (viii) Annuity Policies have been valued by the Alec Day FIA and James Smith AIA at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.
- (ix) Pooled investment vehicles are valued at closing bid price or NAV single price as at the year end, as advised by the investment managers.

**3. Accounting policies (continued)**

**D. Investments (continued)**

- (x) The Scheme's functional and presentational currency is pounds sterling.

**E. Management Expenses**

- (i) Professional and administration fees and expenses of the Scheme (charged in accordance with a fee agreement approved by the Trustee) are borne by the Scheme and accounted for on an accrual basis.
- (ii) The fees of the Investment Managers are accounted for on an accruals basis and are based on the market value of the total funds under their control. These agreed costs are borne by the Scheme. Where management fees are not separately invoiced but reflected in the unit price, the fees disclosed to the Trustee for the year have been shown as a sale proceed and the cost included with the investment management expense.

**F. Derivative contracts**

- (i) Derivative contracts are valued at fair value. The fair value, being the unrealised profit or loss on the contracts, is shown as a separate line within investments. Derivative contracts are fair valued at bid price for asset positions and the offer price for liability positions. Where there is no bid/offer spread available, the mid, single price will be used. Derivative contracts' changes in fair value are included in change in market value where the economic purpose of the contracts relates to assets. Where the economic purpose relates to income the change in fair value is included in investment income.
- (ii) Swaps are valued at the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
- (iii) The fair value of the forward currency contracts is based on market forward exchange rates at the year end and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.
- (iv) Exchange traded futures are valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.

**G. Repurchase agreements**

Repurchase agreements (where the Scheme has sold assets with the agreement to repurchase at a fixed date and price) are included in the accounts at the fair value of the repurchase price as a liability. The assets sold are reported in the appropriate asset class in the investments note at their fair value reflecting that the Scheme retains the risks and rewards of ownership of those assets.

**H. Investment income**

- (i) Income from pooled investment vehicles is accounted for when declared by the fund manager for distributions. Accumulation funds retain income within the fund and is recognised in the change of unit price within change in market value.
- (ii) Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds.
- (iii) Receipts from the Bulk Buy-in policy and Aviva individual policies are accounted for on an accruals basis within annuity income. Aviva annuities are paid direct and matching pension payments are included within benefit costs in the Fund Account.

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2022

<b>4. Employer contributions</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Employer contributions</b>		
Deficit funding	16,701	16,215

Deficit contributions increased to £16,701,108 (2021: £16,214,664) in the year ended 30 June 2022 as agreed following completion of the 2018 and 2021 valuation. They will continue to be paid by the Employer increasing by 3% each subsequent 1 July until 13 December 2026 under the Schedule of Contributions certified on 13 December 2021.

<b>5. Other income</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Surplus on purchased annuities	22	36

The surplus on purchased annuities relates to monies received in respect of retired members reaching their maximum HMRC limits.

<b>6. Benefits paid or payable</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Pensions	17,528	15,164
Commutations of pensions and lump sums on retirement	2,672	2,011
Lump sums on death	96	80
Taxation where lifetime or annual allowance exceeded	4	-
	20,300	17,255

Pensions paid include £13,346,000 (2021: £13,408,000) received in respect of annuity payments.

<b>7. Payments to and on account of leavers</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Individual transfers to other pension arrangements	16,702	11,817

<b>8. Administrative expenses</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Administration, actuarial and consultancy fees	2,163	1,867
Audit fees	31	25
Legal expenses	177	154
Trustee Directors' fees and other advisory costs	156	204
Miscellaneous expenses	30	32
	2,557	2,282

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2022

9. Other payments	2022 £'000	2021 £'000
Trustee insurance	43	29
<b>10. Investment income</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Income from bonds	5,557	5,703
Income from pooled investment vehicles	4,728	4,137
Annuity income	13,346	13,408
Interest on cash deposits	(5)	5
	<u>23,626</u>	<u>23,253</u>
Net income/(payments) regarding swaps	(1,153)	629
Credit repo balance finance charges	(1,561)	(773)
	<u>20,912</u>	<u>23,109</u>

Credit default swap and repo balance finance charges represent the finance costs incurred by investment managers to fund purchases of gilts to improve the efficiency of portfolio management.

11 Reconciliation of net investments	Value at 1 Jul 2021 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 30 Jun 2022 £'000
Bonds	482,029	306,945	(267,896)	(147,326)	373,752
Pooled investment vehicles	349,767	179,695	(166,584)	(24,019)	338,859
Insurance policies	263,956	-	-	(44,952)	219,004
Derivatives	(3,880)	178,093	(197,239)	3,988	(19,038)
AVC investments	3,939	-	(485)	448	3,902
	<u>1,095,811</u>	<u>664,733</u>	<u>(632,204)</u>	<u>(211,861)</u>	<u>916,479</u>
Repurchases agreements	(202,584)			-	(225,957)
Cash deposits	6,322			(655)	(498)
Income receivable	3,177			-	2,412
Other investment balances	4,593			-	(2,345)
	<u>907,319</u>			<u>(212,516)</u>	<u>690,091</u>

The change in market value of investments during the year comprises all profits and losses realised on sales of investments during the year together with gains and losses arising from the revaluation in the market value of investments held at the year end. Sale proceeds and derivative receipts include indirect investment managers' fees and performance related charges to the funds.

All investments are in the name of the custodians except for AVCs and pooled investment vehicles, which are held under managed policies in the name of the Scheme.

The companies managing the investments are registered in the United Kingdom and Ireland.

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2022

**12 Investment transaction costs**

Transaction costs are included in the cost of purchases and deducted from sale proceeds in the reconciliation in note 11. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. The value of direct transaction costs is £nil (2021: £nil).

Indirect transaction costs are incurred through the bid-offer spread on pooled investment vehicles. They are reflected within unit prices and are not separately provided to the Scheme.

<b>13 Investment management expenses</b>	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Administration, management and custody	1,514	1,646
Performance fees	(179)	894
	1,335	2,540

**14 Pooled investment vehicles**

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Bonds	164,777	185,503
Absolute return	31,152	31,965
Multi-Asset credit	53,628	46,910
Property	65,877	60,870
Cash	23,425	24,519
	338,859	349,767

**15 Derivatives**

The Trustee has authorised the use of derivatives by the investment managers as part of the investment strategy for the pension Scheme. The main objectives for the use of derivatives and the policies followed during the year are summarised as follows:

<b>Total derivatives</b>	<b>2022</b> <b>Assets</b> <b>£'000</b>	<b>2022</b> <b>Liabilities</b> <b>£'000</b>	<b>2021</b> <b>Assets</b> <b>£'000</b>	<b>2021</b> <b>Liabilities</b> <b>£'000</b>
Swaps	522,009	(540,856)	835,698	(839,451)
Futures	27,013	(27,013)	-	-
Foreign exchange	3	(194)	7	(134)
	549,025	(568,063)	835,705	(839,585)

**OTC Swaps**

A swap is a derivative contract in which two counter-parties agree to exchange a stream of cash flows against another stream with the magnitude of the cash streams being based on the rate of inflation, interest, credit default or an asset. All swaps are Over the Counter transactions (OTC).

The Trustee aims to match the liability-driven element of the investment portfolio with the Scheme's long term liabilities, particularly in relation to their sensitivities to interest rate movements. Due to the lack of available long-dated bonds the Trustee holds interest-rate and inflation swaps to extend the duration and match more closely with the Scheme's liability profile.

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2022

15 Derivatives (continued)

OTC Swaps (continued)

Type of contract	Expires within	Notional Principal	Asset value £'000	Liability value £'000
Asset Swap	1 year	-	20,793	(22,594)
Interest Rate Swap	0-15 years	(1,802)	25,273	(23,007)
Interest Rate Swap	16-30 years	(37,631)	85,004	(104,357)
Interest Rate Swap	Over 30 years	18,575	77,880	(75,507)
RPI Swap	0-15 years	-	116,989	(124,781)
RPI Swap	16-30 years	-	134,623	(128,801)
RPI Swap	Over 30 years	-	61,447	(61,809)
Futures	1 year	-	27,013	(27,013)
<b>Total 2022</b>			<b>549,022</b>	<b>(567,869)</b>
Total 2021			835,698	(839,451)

Forward foreign exchange

In order to maintain appropriate diversification of investments within the portfolio and take advantage of investment returns a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

The contracts listed below are single forward OTC contracts.

Expires within	Currency bought	Value of Currency bought '000	Currency sold	Value of Currency sold '000	Asset value £'000	Liability value £'000
1 month	GBP	175	AUD	(172)	3	-
1 month	GBP	286	CAD	(288)	-	(2)
1 month	GBP	218	CHF	(227)	-	(9)
1 month	GBP	680	EUR	(685)	-	(5)
1 month	GBP	468	JPY	(468)	-	-
1 month	GBP	5272	USD	(5,451)	-	(178)
<b>Total 2022</b>					<b>3</b>	<b>(194)</b>
Total 2021					7	(134)

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2022

**16 Repurchase agreements**

The Scheme uses sale and repurchase agreements (also known as repo transactions) to achieve the Trustee's liability hedging objective. The investment manager (Insight) is allowed to undertake repo transactions on the Scheme's existing gilt holdings to raise cash with which to buy additional gilts for efficient portfolio management.

Counterparty	Underlying asset	Repurchase date	Asset value £'000	Liability value £'000
Barclays	UK Treasury 1.35% 14.03.22 to 22.04.24	22.04.2024	19,916	-
LBCM	UK Treasury 0.4% 05.04.22 to 05.07.22	05.07.2022	28,453	-
Merrill	UK Treasury 0.6% 10.06.22 to 12.09.22	12.09.2022	25,737	-
Merrill	UK Treasury 0.62% 10.06.22 to 09.09.22	09.09.2022	12,283	-
Merrill	UK Treasury 0.63% 09.06.22 to 09.09.22	09.09.2022	25,162	-
Merrill	UK Treasury 0.71% 20.06.22 to 20.09.22	20.09.2022	13,682	-
Merrill	UK Treasury 0.72% 15.06.22 to 15.09.22	15.09.2022	31,133	-
Merrill	UK Treasury 0.73% 07.06.22 to 07.09.22	07.09.2022	29,435	-
Merrill	UK Treasury 0.89% 23.06.22 to 23.09.22	23.09.2022	30,155	-
Barclays	UK Treasury 0.8% 28.01.22 to 28.10.22	28.10.2022	-	(21,025)
Barclays	UK Treasury 1.85% 14.03.22 to 22.04.24	22.04.2024	-	(19,819)
Commbank	UK Treasury 1.3% 14.04.22 to 14.10.22	14.10.2022	-	(44,300)
GOVILF	UK Treasury 1.27% 24.06.22 to 08.08.22	08.08.2022	-	(8,090)
Goldmans	UK Treasury 1.02% 14.04.22 to 13.07.22	13.07.2022	-	(3,155)
Goldmans	UK Treasury 1.03% 12.04.22 to 13.07.22	13.07.2022	-	(12,962)
Goldmans	UK Treasury 1.05% 12.04.22 to 13.07.22	13.07.2022	-	(8,260)
HSBC	UK Treasury 1.01% 28.01.22 to 27.01.23	27.01.2023	-	(13,989)
LBCM	UK Treasury 1.02% 05.04.22 to 05.07.22	05.07.2022	-	(28,426)
LBCM	UK Treasury 1.49% 03.05.22 to 03.11.22	03.11.2022	-	(10,850)
Merrill	UK Treasury 1.32% 09.06.22 to 09.09.22	09.09.2022	-	(25,025)
Merrill	UK Treasury 1.32% 10.06.22 to 09.09.22	09.09.2022	-	(12,249)
Merrill	UK Treasury 1.35% 10.06.22 to 12.09.22	12.09.2022	-	(25,457)
Merrill	UK Treasury 1.43% 07.06.22 to 07.09.22	07.09.2022	-	(28,952)
Merrill	UK Treasury 1.48% 20.06.22 to 20.09.22	20.09.2022	-	(13,783)
Merrill	UK Treasury 1.49% 23.06.22 to 23.09.22	23.09.2022	-	(29,946)
Merrill	UK Treasury 1.5% 15.06.22 to 15.09.22	15.09.2022	-	(30,966)
NABLDN	UK Treasury 0.75% 28.01.22 to 28.07.22	28.07.2022	-	(16,632)
NABLDN	UK Treasury 0.915% 31.01.22 to 31.10.22	31.10.2022	-	(10,688)
NABLDN	UK Treasury 1.155% 10.03.22 to 11.08.22	11.08.2022	-	(24,952)
Nat West	UK Treasury 1.01% 11.02.22 to 11.08.22	11.08.2022	-	(52,387)
<b>Total 2022</b>			<b>215,956</b>	<b>(441,913)</b>
Total 2021			232,755	(435,339)

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2022

**17 Insurance policies**

The Scheme held insurance policies at the year-end as follows:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Bulk buy-in annuity policies (with Canada Life)	213,477	257,577
Annuity policies (with Aviva)	5,527	6,379
	<u>219,004</u>	<u>263,956</u>

On 6 August 2018, the Trustee, in agreement with the Employer, entered into a bulk purchase annuity policy (buy-in) contract with Canada Life Limited for a premium of £270.6 million in respect of insuring all future payments to the pensioner population of the Scheme as at 31 December 2017. The pension buy-in transaction was funded through the existing investment assets held by the Trustee on behalf of the Scheme. The balancing payment of £100,092 was received on 13 August 2020 from Canada Life.

The Trustee also holds annuity policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Scheme and have been valued at £5,526,962 (2021: £6,378,635). The terms of the policies allow for increases in annual pensions. The increase under the policies is greater than that permitted by the rules of the Scheme and legislation and as a result the Trustee is entitled to receive a rebate. As disclosed in note 5 to the Financial Statements, the income for the year from these policies was £22,026 (2021: £36,488).

Annuity policies are included in the Financial Statements at a valuation undertaken by the Scheme Actuary using the Technical Provisions basis and assumptions as disclosed in the Report on Actuarial Liabilities on page 33.

**18 AVC investments**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
The aggregate amounts of AVC funds are as follows:-		
Aviva Life & Pensions UK Limited	126	128
Prudential Life Assurance Company	3,776	3,811
	<u>3,902</u>	<u>3,939</u>

**19 Fair value hierarchy**

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Level (1) The unadjusted quoted price in an active market for an identical assets or liabilities that the entity can access at the measurement date.
- Level (2) Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level (3) Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2022

**19 Fair value hierarchy (continued)**

<b>As at 30 June 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bonds	373,752	-	-	373,752
Pooled investment vehicles	-	338,859	-	338,859
Insurance policies	-	-	219,004	219,004
Derivatives	-	(191)	(18,847)	(19,038)
AVCs	-	-	3,902	3,902
Repurchase agreements	(225,957)	-	-	(225,957)
Cash deposits	(498)	-	-	(498)
Income receivable	2,412	-	-	2,412
Other investment balances	(2,345)	-	-	(2,345)
	<u>147,364</u>	<u>338,668</u>	<u>204,059</u>	<u>690,091</u>
<b>As at 30 June 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bonds	482,029	-	-	482,029
Pooled investment vehicles	-	349,767	-	349,767
Insurance policies	-	-	263,956	263,956
Derivatives	-	(127)	(3,753)	(3,880)
AVCs	-	-	3,939	3,939
Repurchase agreements	(202,584)	-	-	(202,584)
Cash deposits	6,322	-	-	6,322
Income receivable	3,177	-	-	3,177
Other investment balances	4,593	-	-	4,593
	<u>293,537</u>	<u>349,640</u>	<u>264,142</u>	<u>907,319</u>

**20 Investment risks**

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

- *Currency risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates;
- *Interest rate risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates;
- *Other price risk*: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

**20 Investment risk (continued)**

The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios. The investment objectives and risk limits of the Scheme are further detailed in the SIP and the Investment Policy Implementation Document ("IPID").

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below. This does not include AVC investments held in the Trustee's name as these are not considered significant in relation to the overall investments of the Scheme.

The Scheme holds insurance policies comprising of individual annuities along with a buy-in policy with Canada Life. The policies directly expose the scheme to credit risk with market risks borne by the insurer. The value of these policies are disclosed in note 17 to the Financial Statements

The investment objective for the Trustee of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Defined Benefit ("DB") Section as they fall due.

In setting the investment strategy, the Trustee has taken into account considerations such as the strength of the employer covenant, the long term liabilities of the DB section and the funding agreed with the Employer.

The current strategy (excluding the buy-in policy) is to hold broadly:

- 83.5% in investments that share characteristics with the long term liabilities of the Scheme. The majority of the assets are invested in corporate bonds and an LDI portfolio which uses government and corporate bonds as well as derivative instruments to hedge the impact of interest rate movements on the long term liabilities. The remaining amount is invested in HLV property, which is expected to generate inflation-linked cashflows over a long time horizon.
- 16.5% in return seeking assets comprising global equities, absolute return, and multi-asset credit.
- 50% of selected developed overseas currency exposures are hedged to sterling.

The actual allocations will vary from the above due to market price movements and intervals between rebalancing the portfolio, which takes place quarterly.

**Credit risk**

The Scheme is subject to direct credit risk because the Scheme directly invests in bonds, over-the-counter ("OTC") derivatives, enters into repurchase agreements and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the structure of the investment vehicle and to the instruments it holds in the pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

The Scheme is subject to direct credit risk because the Scheme invests in a segregated mandate with Insight (LDI). The value of this investment at year end amounted to c. £139.7 million (2021: c. £292.2 million) within the LDI mandate.

**20 Investment risk (continued)**

**Credit risk (continued)**

The LDI portfolio managed by Insight primarily holds UK government bonds; the portfolio may also hold corporate bonds, derivatives, repurchase agreements and cash. Credit risk arising on bonds held directly within the LDI portfolio is mitigated by investing mostly in government bonds where the credit risk is minimal. This is the position at the current and previous year end.

Credit risk arising on derivatives held in the LDI mandate depends on whether the derivative is exchange traded or over the counter.

- OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements. This is the position at the current and previous year end.
- Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade. This is the position at the current and previous year end.

Credit risk arising on cash held within financial institutions is mitigated by ensuring cash is held with a diversified range of institutions which are at least investment grade credit rated. This is the position at the current and previous year end.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled investment manager, the regulatory environments in which the pooled investment manager operates and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

Pooled investment arrangements used by the Scheme comprise of collective investment schemes. The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustee manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

A summary of the pooled investment vehicles by type of arrangement is shown below.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Open-ended investment company (OEIC)	272,982	288,897
Authorised unit trusts	65,877	60,870
	338,859	349,767

Indirect credit risk arises in relation to underlying investments in bonds, property and diversified growth pooled investment vehicles. The Trustee invests in Funds which hold non-investment grade credit rated instruments with a view to adding value and indirect credit risk is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer, counterparty or tenant.

Some of the Scheme's pooled arrangements invest in other pooled arrangements, for example, Multi-Asset Credit Fund (Mercer). The Trustee has considered the impact of these arrangements in relation to the Scheme's exposure to failure by the sub-funds or reinsurers who may have different regulatory or insolvency protections compared to the pooled investment made directly by the Scheme, although the risk of failure is mitigated through diversification of underlying investment managers.

**20 Investment risk (continued)**

**Market Risk**

**a) Currency risk**

The Scheme's foreign currency exposure comes from the exposure to global equities, accessed through Total Return Swaps and managed by Insight. The Trustee seeks to hedge part of its global developed equity exposure against currency movements by hedging 50% of the overseas currency exposure.

The Scheme's investment in the Nordea Absolute Return fund as well as the investment in the Mercer Multi-Asset Credit fund consist of underlying investments across regions which expose the Scheme to indirect currency risk but that are used as part of the funds' investment strategy to add value. The funds are not exposed to direct currency risk as the Scheme is invested in sterling denominated share-classes.

**b) Interest rate risk**

The Scheme is subject to direct interest rate risk because some of the Scheme's investments are held in bonds and swaps within the Scheme's segregated LDI mandate managed by Insight. The value of investments at year end amounted to c. £139.7 million (2021: c. £292.2 million) within the LDI mandate. Within the LDI mandate managed by Insight, the instruments held may include swaps, futures contracts, corporate bonds, government bonds, interest rate swaps, RPI swaps, repurchase agreements, and cash.

Indirect interest rate risk also arises from the Scheme's pooled investments within the Insight Enhanced Buy & Maintain Bond Fund and the Insight Short Dated Buy & Maintain Bond Fund. The value of investments at year end amounted to c. £105.8 million (2021: c. £123.4 million) within the Enhanced Buy & Maintain Bond Fund, and c. £59.0 million (2021: £62.1 million) in the Short Dated Buy & Maintain Bond Fund. The Trustee has considered direct and indirect interest rate risk in the context of the overall investment strategy.

Under the Scheme's LDI strategy, if interest rates fall, the value of LDI investments (and other investments deemed to have direct interest rate sensitivity, such as the Insight Enhanced Buy & Maintain Bond Fund) will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the interest rate sensitive investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. As at the year end, the hedge ratio on a gilts-0.1% p.a. liability basis was c.86% for interest rates on a gilts-0.1% basis (c.81% on a gilts-0.2% basis in 2021) and c. 86% for inflation on a gilts-0.1% basis (c.76% on a gilts-0.2% basis in 2021).

The Trustee also has an exposure to indirect interest risk due to the underlying assets held within the Absolute Return (Nordea) and Multi-Asset Credit vehicles (Mercer). The indirect interest rate risk from these mandates is expected to be low as this risk is mitigated by the fund managers investing in a variety of asset types with diversification across a number of issuers and counterparties, and may not be hedged as the exposure can be used by the investment manager as part of its investment strategy to add value. As at year end the investments within the Absolute Return fund amounted to £31.2 million (2021: £32.0 million) and the Multi-Asset Credit mandate amounted to £53.6 million (2021: £46.9 million).

**c) Other price risk**

Other price risk arises in relation to the Scheme's return seeking portfolio which includes global equities (with exposure accessed through Total Return Swaps and managed by Insight), an absolute return fund and multi-asset credit held through underlying investments in pooled investment vehicles (indirect exposure). Other price risk also arises indirectly in relation to the high lease to value property fund held by the Scheme.

Hays Pension Scheme  
Notes to the Financial Statements for the year ended 30 June 2022

**20 Investment risk (continued)**

**c) Other price risk (continued)**

The Scheme has set a target asset allocation of 16.5% of assets being held in return seeking investments. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year-end, the return seeking portfolio represented 22.5% of the total investment portfolio (noting 4.4% of this is equity exposure achieved synthetically) (2021: 15.7%, noting 3.3% of this was equity exposure achieved synthetically). The high lease to value property mandate represented 14.1% (2021: 9.5%).

**21 Concentration of investments**

Investments accounting for more than 5% of the net assets of the Scheme were:

	2022 £'000	2022 %	2021 £'000	2021 %
Annuity policy - Canada Life	213,477	30.9	257,577	28.4
Insight Enhanced B & M Bond Fund	105,792	15.3	123,429	13.6
Insight Short Dated B & M Bond Fund Class S Accumulation Fund	58,983	8.5	62,074	6.8
Lime Property Unit Trust	65,877	9.5	60,870	6.7
Mercer Multi-Asset Credit Fund	53,629	7.8	46,910	5.2

**22 Current assets**

	2022 £'000	2021 £'000
Surplus on annuities receivable	22	36
VAT recoverable from employer	133	258
Prepayment	21	14
Cash balances	3,260	2,036
	<u>3,436</u>	<u>2,344</u>

**23 Current liabilities**

	2022 £'000	2021 £'000
Unpaid benefits	63	167
Canada Life – July paid in advance	942	944
Tax deducted from pensions	16	2
Administrative fees payable	456	445
Investment management fees payable	260	497
	<u>1,737</u>	<u>2,055</u>

**24 Related party transactions**

During the year £131,258 (2021: £180,786) was charged to the Scheme by directors of the Trustee in respect of services provided to the Scheme. The charges were levied by O Lahav, P Dungate, I Pratt, C Hill and The Law Debenture Trust Corporation plc.

Five of the directors of the Trustee were deferred members of the Scheme. Benefits for these members were accrued on the same basis as for all other members of the Scheme and in accordance with the Scheme Rules.

The Scheme has reimbursed Hays plc for the cost of the Pensions Manager. The amount of the reimbursement was £105,792 (2021: £94,277).

**25 Subsequent events**

Despite the current economic uncertainty across the global financial markets and subsequent volatility in bond yield rates post year end, there has been no material impact to the Scheme's funding level or overall deficit position on a Technical Provisions basis. The Trustee continues to monitor the position on a regular basis and make changes to the Scheme's investment strategy as necessary after taking advice from Mercer Limited, the Scheme's investment adviser.

## Hays Pension Scheme Report on Actuarial Liabilities

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Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to at the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 30 June 2021. This showed that on that date:

The value of the Technical Provisions was:	£928.4 million
The value of the assets at that date was:	£904.5 million

The Actuary's annual funding update as at 30 June 2022, on the funding principles agreed at the 2021 valuation showed that the deficit had increased from £23.9 million as at 30 June 2021 to an estimated £27.4 million as at 30 June 2022, with the value of the assets being 96% of the amount needed to cover the Scheme liabilities on a Technical Provisions basis. It should be noted that over this period, the benefits for the majority of members were updated following the equalisation of GMPs. For those who have not yet had their benefits equalised as at June 2022, a 1.66% uplift has been applied to deferred liabilities and a 0.92% uplift has been applied to pensioner liabilities for GMP equalisation. This has been included in the liabilities as at 30 June 2022.

The method and significant actuarial assumptions used to determine the Technical Provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles).

### **Method**

The actuarial method used in the calculation of the Technical Provisions is the Projected Unit Method.

### **Significant actuarial assumptions**

**Discount interest rate:** term dependent rates are set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 0.5% per annum.

**Future retail price inflation:** term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.

**Future consumer price inflation:** term dependent rates derived from the assumption for future retail price inflation less an adjustment of 0.6% per annum before 2030 and 0.1% per annum after 2030.

**Pension increases:** derived from the term dependent rates for future consumer price inflation allowing for the caps and floors on pension increases according to the provisions of the Scheme's rules.

**Mortality:** 2021 Scheme specific Club Vita base tables, with future improvements in line with the CMI 2020 model calibrated to Club Vita with a 0% weighting for 2020 data, an initial addition to improvements of (A=0.5%), a smoothing parameter of (Sk=7.0), and a long-term improvement rate of 1.5% per annum.



## Hays Pension Scheme (“the Scheme”) Schedule of Contributions

This schedule sets out the contributions that will be paid to the Scheme. This schedule is dated 13 December 2021 and applies from date of signature until 13 December 2026. It replaces the previous schedule dated 20 February 2019.

This schedule has been prepared with the agreement of Hays plc<sup>1</sup> (“the Employer”) and after taking the advice of Alec Day (the Scheme Actuary). This schedule has been certified by the Scheme Actuary and the certificate is included in the appendix.

### Regular contributions

The Scheme is closed to future accrual so there are no member contributions or ordinary Employer contributions payable.

### Sponsor deficit reduction contributions

The 30 June 2021 actuarial valuation showed that the Scheme had a funding deficit relative to the Scheme’s statutory funding objective. The Employer shall pay the following deficit reduction contributions:

- £16,701,097 per annum, payable in even monthly instalments from 1 July 2021 onwards, increasing by 3% on each 1 July.

All sponsor contributions are due to be paid to the Scheme not later than 19 days after the end of the month to which they relate.

The sponsor shall also pay to the Scheme any additional contributions required from time-to-time on the advice of the Scheme Actuary as required from time to time under the Scheme’s trust deed and rules.

### Expenses, Levies, Fees and Insurance Premiums

In addition to the deficit reduction contributions the sponsor is also responsible for the payment of the Pension Protection Fund levy.

The following expenses are met from the Scheme’s assets:

- Such other pension scheme levies (except for the Pension Protection Fund levy) as payable by the Employer or the Trustee under the terms of the Pension Scheme Act 1993 and the Pension Schemes Act 2004;
- Any fees falling due to the Scheme administrator, investment manager or other professional advisors;
- Investment charges and expenses; and
- Other expenses of the Trustee that are reasonably incurred in the course of performing its duty as Trustee.

<sup>1</sup> The Hays Pension Scheme is a multi-employer Scheme. The sponsors have nominated Hays plc to act as the representative on behalf of all the sponsors participating in the Scheme for the purpose of the Section 229(1) of the Pensions Act 2004.





## Hays Pension Scheme Schedule of Contributions – Actuarial Certificate

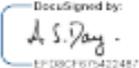
### Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 30 June 2021 can be expected to be met by the end of the period specified in the recovery plan dated 13 December 2021.

### Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 13 December 2021.

Please note that the adequacy of contributions statement in this certificate relates to the scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the scheme's full liabilities with annuities if the scheme were to wind up.

Signature	
Date	13 December 2021
Name	Alec Day
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	One London Wall, London, EC2Y 5EA

This certificate is provided to meet the requirements of regulation 10(8) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

# Hays Pension Scheme

## Compliance Statement for the year ended 30 June 2022

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### **Constitution**

The Scheme was established by an interim Trust Deed dated 28 June 1988 and is governed by the Definitive Trust Deed dated 17 March 1998, subsequent amendments and the Third Replacement Definitive Deed and Rules dated 12 June 2012, the Closure Deed dated 29 June 2012, Deed of Amendment dated 29 June 2017, and Deed of Amendment dated 30 April 2021.

### **Taxation Status**

In accordance with the provisions of Schedule 36 of Finance Act 2004, the Scheme became a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004 with effect from 6 April 2006. The Trustee knows of no reason why this status may be prejudiced or withdrawn.

### **Calculation of Transfer Values**

Transfer values paid during the year were calculated and verified in the manner required by the Regulations. None of the transfer values paid were less than the amount required by the Regulations.

### **Employer-Related Investment**

The Trustee reviews its allocation to employer-related investments on an on-going basis and is satisfied that the proportion of Scheme's assets in employer-related investments does not exceed 5% of the market value of the Scheme's assets as at 30 June 2022, meaning the Scheme complies with legislative requirements. This will continue to be monitored on an annual basis.

### **Internal Disputes Resolution Procedure (IDRP)**

The Trustee operates an IDRP and the response to the first stage of a complaint made under the IDRP is issued by the Pension Manager on behalf of the Trustee. The Pension Manager's contact details can be found on page 2.

### **Data Protection**

The General Data Protection Regulations 2016/679 (Regulations) cover information which is held electronically, i.e. computer based information and extend data protection laws to cover paper-based records held for individuals.

The Regulations contain restrictions on the processing of special categories of data as defined in the Regulations, to which individuals must give their consent.

The Trustee and the Scheme Actuary hold personal information about members and beneficiaries under the Scheme (personal data) and are regarded as Data Controllers for data protection purposes. They will use the personal data for the purposes of administering the Scheme efficiently and for the purposes of calculation and settlement of benefits as and when due and to determine contribution levels. They are required to look after personal data in accordance with legal requirements. This means that they are responsible for deciding what personal information needs to be processed and the way in which that information is processed. In processing personal data, they may need to pass personal information about members and beneficiaries, to the Scheme's administrators, auditors, legal advisers, insurers and such third parties as may be necessary for the purposes of administering the Scheme.

Full details of the types of personal data that are held, how the information is used and who it is shared with are set out in the privacy notice. The privacy notice also sets out the rights of those whose personal data is held, and who to contact to exercise those rights, make a complaint, or generally raise any questions. A copy of the current privacy notice is available from the Pensions Manager at the address shown on page 2 and on the Hays Pension Scheme website: [www.hayspensionscheme.com](http://www.hayspensionscheme.com).

Hays Pension Scheme  
Compliance Statement for the year ended 30 June 2022

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**The Pensions Regulator**

The statutory body that regulates occupational pension schemes is the Pensions Regulator and can be contacted at:

The Pensions Regulator

Napier House

Trafalgar Place

Brighton

BN1 4DW

Telephone: 0345 600 1011

Email: [customersupport@thepensionsregulator.gov.uk](mailto:customersupport@thepensionsregulator.gov.uk)

Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

**Pension Tracing Service**

A pension tracing service is operated by the Department for Work and Pensions and can be utilised by members who have lost contact with the pension scheme Trustee. The contact address and details for the service are as follows:

Pension Tracing Service

The Pension Service 9

Mail Handling Site A

Wolverhampton

WV98 1LU

Telephone: 0800 731 0193

From outside the UK: +44 (0)191 215 4491

Website: <https://www.gov.uk/find-pension-contact-details>

*Please note that due to the ongoing impacts of Covid-19, the Pension Tracing Service is unable to deal with incoming postal queries. Please use one of their other contact channels listed above.*

**Money Helper (previously The Pensions Advisory Service)**

Any concerns connected with the Scheme should be referred to the Pensions Manager of Hays plc at the address given on page 2, who will try to resolve the problem as quickly as possible. Members and beneficiaries of pension schemes, who have problems concerning their scheme and who are not satisfied by the information or explanation provided by the Administrator, the Pensions Manager or the Trustee, can consult with Money Helper. A local adviser can usually be contacted through a Citizen's Advice Bureau. Alternatively the Service can be contacted at:

Pension Wise

PO Box 10404

Ashby-de-la-Zouch

Leicestershire

LE65 9EH

Telephone: 0800 011 3797

From outside the UK: +44 (0)20 7932 5780

Email: [contact.pensionwise@moneyhelper.org.uk](mailto:contact.pensionwise@moneyhelper.org.uk)

Website: [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

*Please note that due to the ongoing impacts of Covid-19, Money Helper might be unable to deal with incoming postal queries. Please use one of their other contact channels listed above.*

**Pensions Ombudsman**

In cases where a complaint or dispute cannot be resolved, an application can be made to the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

The Office of the Pensions Ombudsman

10 South Colonnade

Canary Wharf

London

E14 4PU

Telephone: 0800 917 4487

From outside the UK: +44 (0)207 630 2200

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

Hays Pension Scheme  
Independent Auditor's Statement about Contributions  
for the year ended 30 June 2022

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**To the Trustee of Hays Pension Scheme**

**Statement about contributions**

We have examined the Summary of Contributions to Hays Pension Scheme ('the Scheme') for the year ended 30 June 2022 on page 40.

In our opinion, contributions for the year ended 30 June 2022, as reported in the Summary of Contributions and payable under the Schedules of Contributions, have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 27 March 2019 and 13 December 2021.

**Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

**Responsibilities of the Trustee**

As explained more fully in the Statement of Trustee's Responsibilities set out on page 13, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of any members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

**Auditor's responsibilities for the preparation of a Statement about Contributions**

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions and to report our opinion to you.

**Use of our report**

This statement is made solely to the Scheme's Trustee, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our audit work, for this statement, or for the opinions we have formed.

BDO LLP  
*Statutory Auditor*  
Glasgow  
United Kingdom

Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Hays Pension Scheme  
Summary of Contributions for the year ended 30 June 2022

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During the year ended 30 June 2022, the contributions paid to the Scheme by the employer under the Schedules of Contributions certified by the Scheme Actuary were as follows:

Contributions payable under the Schedules of Contributions	<b>£'000</b>
Contributions from employer:	
Deficit funding	16,701
<hr/>	
Contributions payable under the Schedules of Contributions and as reported in the Financial Statements	16,701
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Signed on behalf of Hays Pension Trustee Limited on 13 October 2022.

.....Trustee Director

.....Trustee Director

This page does not form part of the statutory Financial Statements.

# Hays Pension Scheme Implementation Statement

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## Introduction

This statement sets out how, and the extent to which, the Scheme's Engagement Policy has been followed during the year running from 1 July 2021 to 30 June 2022 (the "**Scheme Year**"). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant version of the Statement of Investment Principles ("SIP") that was in place during the Scheme Year, which was the SIP dated December 2021.

Section 2 of this statement sets out the investment objectives of the Scheme and changes which have been made to the Statement of Investment Principles ("SIP") during the Scheme Year, respectively.

A copy of the SIP is available at [Document store - Pension Scheme - Hays \(hayspensionscheme.com\)](https://hayspensionscheme.com)

Section 5 includes information on the key engagement and voting activities of the underlying investment managers of the Scheme, and also sets out how the Scheme's engagement and voting policy has been followed during the Scheme Year. The Trustee can confirm that all policies in the SIP on investment rights (including voting) and engagement have been followed during the Scheme Year.

## Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set.

The primary objective of the Scheme is to provide pension and lump-sum benefits for members on their retirement and/or benefits on death, before or after retirement, and for their dependents.

The Scheme consists of a defined benefit section and in addition the Trustee is responsible for the investment of the assets relating to Additional Voluntary Contributions (AVCs) previously made by members.

Further objectives for the Scheme specified in the SIP centers on a long-term target for the funding of the Scheme such that once met:

- dependency on the covenant of the Principal Employer will be significantly reduced;
- the Trustee's investment strategy is progressively to de-risk and manage towards achievement of a target return implied by a "self-sufficiency" funding basis using an effective liability valuation discount rate of gilts minus 0.1% p.a. as a proxy for the buy out target in 2028; and
- other material risks (e.g. longevity) will be reduced as appropriate.

## Review of the SIP

The Trustee keeps their policies under regular review, with the SIP subject to review at least triennially, and usually annually.

During the year to 30 June 2022, the Trustee reviewed and formally adopted a new SIP in December 2021. The main change to the SIP was to document the updated long-term funding target basis of gilts minus 0.1% p.a. from gilts minus 0.2% p.a. in the previous SIP dated October 2020.

## Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on ESG factors, stewardship and climate change. This policy sets out the Trustee's high-level beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

## Hays Pension Scheme Implementation Statement

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The Trustee acknowledges that managers in areas such as fixed income (particularly in relation to LDI) may not have a high ESG rating assigned by the investment consultant due to the nature of the asset class, where it is harder to engage with the issuer of debt.

Over the year, the Trustee has received presentations from each of the four investment managers on their ESG processes and key voting (where relevant) and engagement activity. The Trustee, via the Investment Sub Committee (“ISC”), has also increased its focus on further understanding the actions being taken and targeted by investment managers with respect to this area within their own organisations.

The ISC have also spent time at their quarterly meetings on various ESG related work streams. This has included the annual manager ESG ratings review, initial exploratory work on carbon metrics and data and further refining the Scheme’s policy in relation to Social considerations.

### **Voting and Engagement**

As noted, the Trustee looks to meet with each of its managers on a regular basis (annually if possible), at which point the Trustee may ask the investment managers to highlight key voting (where applicable) and engagement activity, and the impact on the portfolio. Given the Scheme no longer invests in actively managed physical equity mandates, voting is only expected to be relevant to a small proportion of assets going forwards (i.e. the Nordea absolute return mandate).

### **Voting Activity**

The Trustee has delegated their voting rights to the investment managers. Where applicable, investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

The Trustee does not use the direct services of a proxy voter.

Over the year to 30 June 2022, the key voting activity on behalf of the Trustee was as follows:

#### *Nordea Diversified Return Fund*

Key votes undertaken over the period are summarised below:

- There were 200 votable meetings over the year, of which Nordea voted in 197 of these meetings on behalf of the Trustee.
- Nordea was eligible to vote on 2,522 proposals, for which they cast votes on about c. 99%. Of these proposals, c. 87% were in favour of management, c. 11% against management and they abstained or withheld for c. 1% of the proposals.

## Hays Pension Scheme Implementation Statement

The most significant votes can be summarised as follows:

Company	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Johnson & Johnson	28/04/22	For	Voted for on a report for government financial support and access to COVID-19 vaccines and therapeutics because reporting on the impact of public funding on the company's pricing and access plans would allow shareholders to better assess the company's management of related risks.	Against
Oracle	10/11/21	Against	Voted against an advisory vote to ratify named executive officers' compensation because the manager thinks that bonuses and share based incentives should only be paid when management reach clearly defined and relevant targets which are aligned with the interest of the shareholders. Nordea also voted against re-election of the proposed board members in the Compensation Committee.	For
Nike	06/10/2021	For	Nordea supported a number of shareholder proposals, including a report on the Gender pay Gap, a report on Political Contributions Disclosure, a report on Human Rights Impact Assessment and a report on Diversity and Inclusion Efforts.	Against
Microsoft	30/11/2021	For	Nordea supported a number of shareholder proposals, including a report on the Effectiveness of Workplace Sexual Harassment Policies, a report on the Gender/Racial Pay Gap, a report on Implementation of the Fair Chance Business Pledge and a report on Lobbying Activities Alignment with Company Policies.	For

### Engagement Activity

The Trustee's investment consultant has requested, on behalf of the Trustee, that the investment managers confirm compliance with the principles of the UK Stewardship Code.

The majority of the Scheme's investment managers (c. 93% of assets under management as at 30 June 2022, excluding the bulk annuity policy) confirmed that they are signatories to the current UK Stewardship Code. Nordea confirmed that they have applied to become a signatory of the UK Stewardship Code on 26 April 2022, with results to be announced on whether the application was successful in September 2022.

The Trustee's investment consultant has requested, on behalf of the Trustee, details of relevant engagement activity for the period from each of the Scheme's investment managers.

The Scheme's investment managers engaged with companies over the period on a wide range of different issues including ESG matters. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement). The Scheme's investment managers provided examples of instances where they had engaged with companies they were invested in or about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies

## Hays Pension Scheme Implementation Statement

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that the investment managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings.