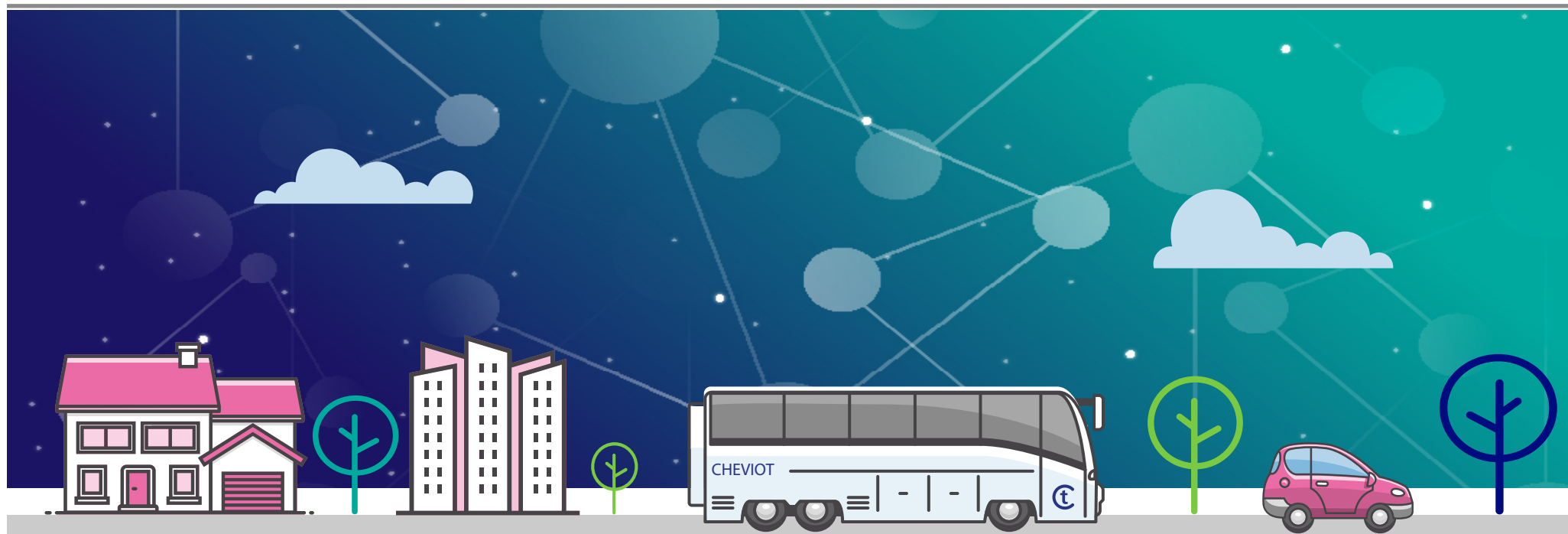


REPORT TO MEMBERS

ISSUED DECEMBER 2022

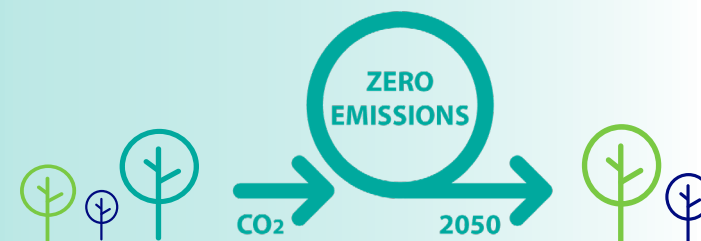


2022

WHAT'S INSIDE?



- 3 A message from the Chair
- 4 Things you need to know
- 5 Money Purchase Section
- 6 Investment information
- 7 News from the Trustee Board
- 8 Financial information



Cheviot targets net zero

Climate change is rarely out of the news. The record breaking temperatures in 2022 are an example of the impact carbon emissions can have. As a result of analysis completed during the last 12 months, the Board has approved a commitment to target net zero emissions by 2050. The Trustee's full report on its work on the impact of climate change is [available here](#).

Benefit statements

The 2022 benefit statements will be issued by 31 March 2023. You can access them via the Cheviot Dashboard.

New ESG equity fund available

The Trustee is introducing a new ESG fund based on the principles of sustainable investing to the range of self-select options from 1 January 2023. A sustainable investment approach involves considering a company's environmental, social and governance (ESG) risks as well as assessing its opportunities and progress using ESG data. The fund is managed by BlackRock and is available for investment from January.

We want to hear from you

The Trustee Board is always interested to know your views, including what you think we do well and what we could do better. people@cheviottrust.com

Reduce your carbon footprint

Electronic communications cost less and reduce Cheviot's carbon footprint. Many members have now signed up to the Cheviot Dashboard which means they can review and update any details themselves and view their benefit statements as soon as they are issued. Register for the dashboard here and access your pension information when it suits you. After registering, you can then download the app and view information on your phone.

Disclaimer: the contents of this report do not constitute legal or financial advice. Readers should take specific advice on any particular matter which concerns them. The trust deed and rules will override in the event of any inconsistency.





A MESSAGE FROM THE CHAIR



2021 continued to be dominated by the Covid- 19 virus and its impact on the economy. 2022 has introduced new economic challenges through the war in Ukraine, significant inflation and political uncertainties for the pension funds which we manage. Despite the challenges, the Trust has continued to develop and improve its governance and services to members with the support of the knowledgeable directors of the Trustee, Cheviot Trustees Limited, and the staff and advisers.

Trustee issues

The Trustee Board has continued to conduct the business of the Trust and perform its oversight role. Everyone is now well versed in virtual meetings and it has, in some ways, improved the effectiveness of the Board by reducing travel costs and time and enabling advisers and staff to attend for part of the meeting if necessary. We met in person in September 2022 for the first time and have planned 2023 on the basis that most meetings will remain virtual, but key meetings will be held in person. We see this as a sensible balance between managing costs and ensuring that we work together effectively.

Climate change

The Investment Committee has worked with its advisers to understand the financial implications of climate related risks and opportunities to enable Cheviot to integrate them into our investment and business decisions. This includes

reviewing and assessing the impact of climate change on investments both before investing and in reviewing performance, including ESG ratings and engagement, to assess the financial impact. You can read more about this in the [Implementation Statement and the TCFD report](#) available on our corporate website.

We encourage all members to contribute to our target of reducing emissions by signing up for electronic communications and the [Cheviot Dashboard](#).

Investment performance

At the end of 2021, most funds were ahead of long term targets over five years but lagged over shorter periods. The core Money Purchase Section options were also ahead or broadly in line with long term targets over three years.

2022 has been a much more difficult year for investments with falls across all asset values, rising inflation and significant volatility in October and November. The Investment Committee has met regularly to review strategy and returns. See page 6 for more investment information.

Operational issues

The Cheviot inhouse administration team is now well-versed in working from home. The team remains accessible through our usual phone lines and email. Communications moved largely online in April this year.

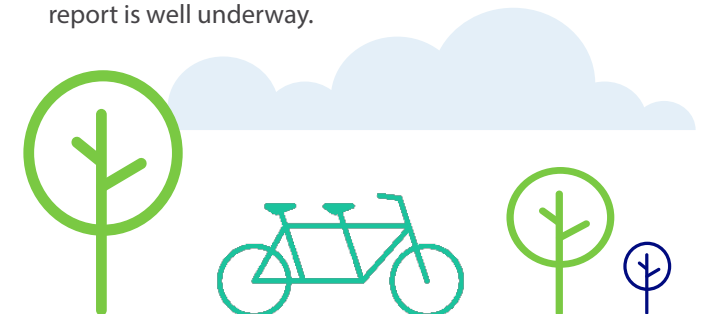
Communications

I encourage members to visit our member focused website www.mycheviotpension.com, which is easy to navigate and includes a member guide booklet for members of the Money Purchase Section.

Cheviot pension benefit statements are simple and easy to read. The statements can be printed on two sheets of paper and are accompanied by a factsheet which sets out additional information.

Audit and Assurance Framework Report

The Report for the year ended 31 December 2021 was signed on 30 March 2022. These independent reports demonstrate the existence and effectiveness of the controls and procedures in operation at a trustee governance level as well as those which relate to pensions and financial administration across the organisation. The auditors conducting the review did not identify any exceptions to the operation of the controls in place. Work on the 2022 report is well underway.



THINGS YOU NEED TO KNOW

Did my savings grow in 2021?

Yes, 2021 was a very good year for returns. All Money Purchase funds, other than the Annuity Planning Fund, outperformed their targets producing significant increases in funds for members and this resulted in positive performance over three and five years for most funds.

At the time of issue, 2022 has been a difficult year and your pension savings are likely to have gone down in value. See page 6 for more details.

With Profits and Final Salary scheme members

Members of the With Profits Section or Final Salary Schemes are not usually impacted by falls in asset values as the guaranteed returns in the With Profits Section and the benefit promises in a final salary scheme are supported by employers. Summary Funding Statements provide more information about your scheme.

Contact details

Please check, using the Cheviot Dashboard, that your contact details are up to date, including a personal email address. It is your responsibility to keep your contact details up to date.

If we can't contact you, we will use a tracing agency. If we have to trace you more than once, we will deduct the tracing costs from your savings.

Professional Pensions Awards Finalists

We were thrilled to be shortlisted for the Professional Pensions Award in the 25 years of Excellence in Defined Contribution category. Cheviot has distinguished itself over the last 25 years through its focus on providing good outcomes for members, delivered through a robust governance structure, in which member and employer representatives are, and always have been, a core component. The UK Pensions Awards, in their 25th year, remain the industry's most prestigious accolades. They recognise the advisers, providers and investment managers that offer the highest level of innovation, performance and service to occupational pension schemes and their members. The final winner was Standard Life.

Looking to combine your pensions savings?

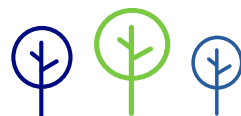
Do you have lots of different pension pots and find it hard to keep track of them? If so, you can combine your pensions savings with Cheviot and let the Trustee look after the investments for you. You can access your savings flexibly when you need to, at much lower cost than many other providers. Talk to our friendly admin team who will help you through the transfer process.

Expression of wishes form

Make sure your expression of wishes form is up to date. This helps the Trustee understand your wishes about the distribution of any death benefits. You can find the form [here](#).

Scams – be scam smart

Don't let a scammer enjoy your retirement. Scammers will be trying to take advantage of the current difficult economic environment so please be particularly vigilant. For further information, please click [here](#) and get to know the warning signs of a scam. Transfers out may take longer than usual as Cheviot completes checks to protect you against scams. You may be asked to make an appointment at Money Helper before your transfer proceeds.



MONEY PURCHASE SECTION

Log on to the [Cheviot Dashboard](#) to see your up-to-date fund value, change your personal details and check your investment choices. You can access the guide to the Cheviot Dashboard [here](#).

You can also view your Benefit Statements and see whether you are saving enough for the retirement you want. If you don't already have access to this, setting up your account is easy. You can do this [here](#).

Cheviot Lifeplan

Most members are invested in the Cheviot Lifeplan. The Cheviot Lifeplan allows the Trustee to take investment decisions for you. The Cheviot Lifeplan transitions your savings through different funds based on your Target Retirement Date.

It is important that you let us know if your retirement plans change. If you don't set a Target Retirement Date, the Trustee will use your Normal Retirement Date. You can find more information about the Cheviot Lifeplan [here](#).



Choose your own investment options

If you want to make your own investment choices, you can invest in the funds used in the Cheviot Lifeplan or one or more of the other funds. Some of these funds are managed by external managers. More information is available [here](#). If you choose your own option, it is your responsibility to review your investment choices and decide which is right for you, particularly when you are approaching retirement.

Cheviot diversified funds

Cheviot Growth Fund
Cheviot Moderate Fund
Cheviot Cautious Fund
Cheviot Retirement Planning Fund
Cheviot Low Cost fund

Equity funds

Legal & General Global Equity Fund
Legal & General UK Equity Fund
Blackrock Emerging Markets Equity Fund
*BlackRock ESG Fund

Specialist funds

HSBC Islamic Global Equity Index Fund
Legal & General Ethical Global Equity Index Fund
Cheviot Annuity Planning Fund
Cheviot Cash fund

**Available from January 2023*

Approaching retirement

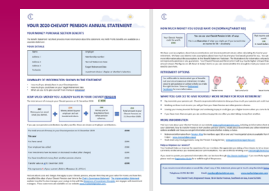
We are making changes to some of the retirement investment strategies in 2023 to reduce the amount of cash held as members approach retirement. We will be updating our factsheets in early 2023 to reflect the changes. We will write to those members who are already in the transition period before retirement to let them know about the changes.

Advice and guidance

Pensions Wise, the Money Advice Service and the Pension Advisory Service are now provided by Money Helper - www.moneyhelper.org.uk

Free guidance is available from Money Helper or you can take advice from an independent financial adviser. Money Helper can help you find a financial adviser that is right for you.

Cheviot Pension
benefit statements
can be accessed [here](#).



www.cheviotdashboard.com

INVESTMENT

Market overview

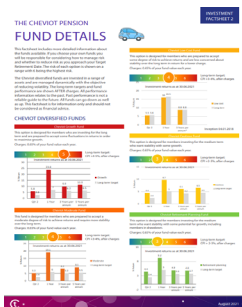
The return seeking funds all delivered performance over the long term targets over three and five years to the end of 2021. But the widespread shock caused by the Russian invasion of Ukraine and its grave human implications fed through into markets during 2022.

Commodity prices soared and this has contributed to a further surge in inflation as well as supply chain disruption across Europe. Together with the political instability in the UK, this has made for difficult investment conditions during 2022 and the outlook for 2023 is also challenging.

Unusually, both higher and lower risk assets have performed disappointingly in 2022. All members are likely to see a reduction in the value of their savings as most assets have gone down in value. Pensions are a long-term investment and inevitably periods of poor performance will occur from time to time. The Trustee monitors investment performance on behalf of members. Although disappointing, the performance in 2022 has been in line with market returns.

Money Purchase Section

Log on to the [Cheviot Dashboard](#) to see where your savings are invested. The return seeking funds all delivered performance over the long term targets over three and five years to the end of 2021. More detailed performance information on the core funds and the other funds available can be found [here](#).



Task Force on Climate-Related Financial Disclosures

The TCFD is a task force committed to market transparency and stability. They believe that better information allows companies to incorporate climate-related risks and opportunities in risk management and strategy. The TCFD report sets out the actions and analysis the Trustee has undertaken in line with improving reporting and transparency.

To find out more, please read Cheviot's factsheet on the [Implications of Climate Change](#). Alternatively, if you wish to read Cheviot's [TCFD report](#), this is also available online.

Focus on climate change

There is growing focus on environmental issues and how they may affect financial returns and sustainability in the future. The Trustee is looking at how to include more detailed environmental assessments in its investment approach and is requesting further information from managers to support this.

New ESG self-select option

To provide further choice for members, the Trustee is introducing an ESG equity fund with BlackRock to the available self-select options. You can find out more about this fund [here](#).

Data protection

We know how important it is to look after your personal data securely. You can find a summary of our privacy policy [here](#).

Net Zero Commitment

As a result of our work during the last 18 months on the impact of climate change on future investment returns for members, Cheviot Trustees Limited has adopted a net zero commitment reflecting the Paris Agreement's objectives to reach net zero by 2050.

"As stewards of our members' capital, we have a responsibility to deliver investment returns and manage risk over the long term in line with our fiduciary duties. We recognise the climate crisis that is facing the globe. The transition to a lower carbon world will impact every inhabitant, economy, and investment, either positively or negatively. Our fiduciary duties require us to identify the risks and opportunities that are present and invest accordingly.

A world where global warming is not contained to significantly below 2 degrees above pre-industrial levels is expected to impact overall portfolio returns and risks. Countries across the globe are making Net Zero Commitments. This will be followed by new policies and regulations that will impact the companies we invest in and lend to, and the associated risks and returns our portfolio can deliver.

The Trustee will manage its investments in line with achieving net zero emission greenhouse gas emissions by 2050. Our commitment is based on governments and policymakers delivering on their commitments to achieve the temperature goals of the Paris Agreement.

The Trustee will keep this under review to ensure it aligns with members' interests and trustee fiduciary duties."

NEWS FROM THE TRUSTEE BOARD

Cheviot Trustees Limited has a professional chair, four member representatives, four employer representatives and two co-opted directors, including Sir Derek Morris. The Trustee directors look after your pension for you. This means overseeing the management of the Trust, including the administration service, reviewing the investment strategy and ensuring the Trust meets all its statutory and regulatory requirements. Click [here](#) to learn more about our Trustee directors.



Sir Derek Morris

Sir Derek was re-appointed as Chair of the Trustee for a five year period, running to 31 March 2027.

Derek was the fellow and tutor in economics at Oriel College, Oxford University, specialising in investment and financial economics. From 1997 to 2004 he was Chairman of the UK Competition Commission (now the Competition and Markets Authority).

In the pensions field, he was the Chairman of Lucida plc, a pension buy-out company, from 2006 to 2012. From 2006 to 2016 he was the Independent Chairman of the Oxford University Press Pension Scheme. In 2004-5 he conducted the Government's Morris Review of the Actuarial Profession, and he chaired the Treasury's 2009 Working Party on addressing the consequences of the financial crisis for the pensions industry.

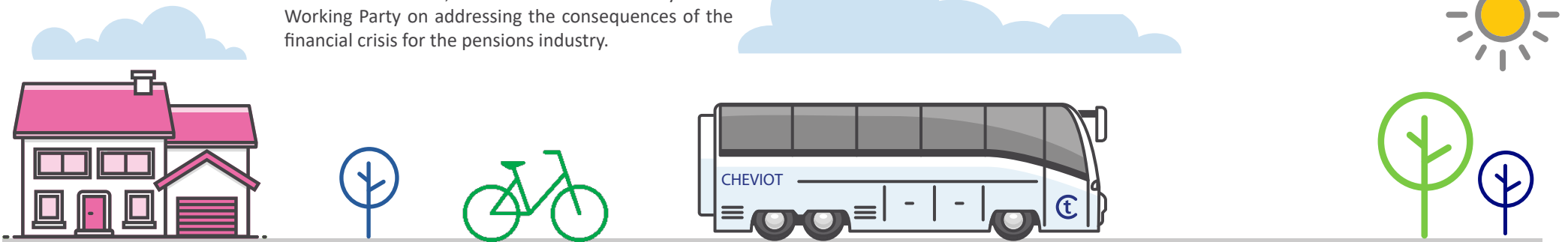


Martin Poore

Martin has been re-appointed as an Employer Trustee for Womble Bond Dickinson (UK) LLP. All employers were invited to put forward a candidate.

No other candidates came forward and we were pleased to re-appoint Martin for a further term.

Martin is Head of the pensions team at Womble Bond Dickinson. He is a regular speaker at trustee training and other external seminars, whether covering topical developments or bespoke projects such as scheme merger or closure exercises and he is an editor and co-author of Blackstone's Guide to the Pensions Act 2004.



FINANCIAL INFORMATION

FUND ACCOUNTS

	Cheviot Pension £M		Final Salary Schemes £M	Total £M
	Money Purchase Section	With Profits Section		
Assets as at 1st January 2021	142,953	95,853	232,109	470,915
PLUS				
Contributions and transfers	9,390	0	2,451	11,841
Net return on investments	14,923	2,251	7,265	24,439
LESS				
Benefits paid	2,901	3,735	5,684	12,320
Leavers	2,606	2,870	861	6,337
Expenses	389	1,455	1,206	3,050
Assets as at 31 December 2021	161,370	90,044	234,074	485,488

Important documents

The consolidated report and accounts, the Cheviot Pension accounts, the Implementation Statements and Statements of Investment Principles for the Money Purchase Section, the With Profits Section and the Final Salary Schemes and the Chair's Governance Statement are available [here](#). The accounts for each Final Salary Scheme are available on request. If you would like hard copies of any of these documents, please contact us on 01702 354024 or email people@cheviottrust.com.

Membership numbers

31 December 2021



Cheviot Pension 7,549



Final Salary Schemes 1,380



Total 8,929

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