YOUR TOMORROW

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

SCHEME REGISTRATION NUMBER: 12003058

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TRUSTEE DIRECTORS AND ADVISERS

YEAR ENDED 31 DECEMBER 2022

Principal Employer	Lloyds Bank PLC 25 Gresham Street, London, EC2V 7HN
Participating Employers	Agricultural Mortgage Corporation PLC Black Horse Offshore Limited Cheltenham & Gloucester PLC HBOS PLC Lloyds Bank Asset Finance Limited Lloyds Bank Commercial Finance Limited Lloyds Bank Corporate Markets PLC Lloyds Bank International Limited Scottish Widows Services Limited
Corporate Trustee	Lloyds Banking Group Pensions Trustees Limited (the "Trustee")
Trustee Directors	**Independent Trustee:** The Law Debenture Pension Trust Corporation PLC represented by Mark Ashworth Jocelyn Blackwell Law Debenture Governance Services Limited represented by Vicky Paramour **Employer appointed:** Harry Baines ("Chair") Michelle Cracknell John Hope (until 31 December 2022) Victoria Turner (from 1 January 2023) **Member nominated:** Geoff Askew (until 5 April 2022) Richard Conway Shirley Hughes Sunil Raja (from 6 April 2022)
Group pensions	Lloyds Banking Group - Pensions Department 25 Gresham Street, London, EC2V 7HN E-mail: grouppensions@lloydsbanking.com
Scheme administrator	Towers Watson Limited (known as WTW) PO Box 545, Redhill, Surrey, RH1 1YX Tel: 01737 227 522 Email: YourTomorrow@willistowerswatson.com
Secretary	Robert Hales Lloyds Banking Group - Pensions Department
Secretarial support	ZEDRA Inside Pensions LTD
Independent auditor	Deloitte LLP ("Deloitte")
Legal adviser	Allen & Overy LLP Shepherd & Wedderburn LLP (from 9 August 2022)
Investment adviser	Towers Watson Limited (known as WTW) (until 22 February 2022) Lane Clark & Peacock LLP ("LCP") (from 23 February 2022)

Risk assurance adviser	Grant Thornton LLP (from 8 January 2022 until 30 June 2022)
Bankers	Lloyds Bank PLC
Investment gateway provider	Phoenix Life Limited, trading as Phoenix Corporate Investment Services ("Phoenix")
Enquiries	Requests for additional information about the Scheme generally, or queries relating to member benefits, should be made to the Scheme's administrator, Towers Watson Limited, using the contact details on page 1. Information about the Scheme may also be obtained from the Lloyds Banking Group Pensions Website www.lloydsbankinggrouppensions.com. Any issue about the running of the Scheme, or for the Trustee, should be addressed to Lloyds Banking Group Pensions Department, whose address is detailed on page 1 of this report.

The Trustee of Your Tomorrow (the “Scheme”) presents the annual report for the year ended 31 December 2022.

Constitution of the Scheme

The Scheme is a defined contribution ("DC") pension scheme and was established by Trust Deed and Rules effective from 1 July 2010 (updated with effect from 31 December 2012), a copy of which is available on request from Lloyds Banking Group Pensions Department, using the contact details on page 1.

The Scheme is open to employees of the Principal Employer and Participating Employers, shown on page 1 of this report. Eligible members, as confirmed by their contract of employment, are automatically enrolled in the Scheme on the day employment commences. Eligible members are able to opt-out of the Scheme by contacting the Scheme's administrator, Towers Watson Limited, using the contact details on page 1.

Recent developments

During the year there were no significant changes to the Trust Deed and Rules.

Management of the Scheme

The Scheme is managed by a corporate Trustee, Lloyds Banking Group Pensions Trustees Limited (the "Trustee"), whose role is to ensure that the Scheme is administered in accordance with the Scheme’s Trust Deed and Rules, and to safeguard the assets in the best interests of all beneficiaries.

The Trustee Directors who served during the reporting period, and to the date of approval of this report, are listed on page 1.

The Scheme's Trust Deed and Rules contain provisions for appointment and removal of the Trustee. Under these provisions the power of appointment and removal of the Trustee is vested in the Principal Employer of the Scheme.

The Articles of Association contain provisions regarding the appointment and removal of Directors of the current Trustee. This vests the power of appointment and removal of the Trustee Directors in the Principal Employer. Under the Trustee's current member nominated trustee directors (“MNTDs”) arrangements, at least one third of the Trustee Directors are nominated by Scheme Members.

MNTDs can usually serve for a maximum term of four years after which they must stand down and can stand for re-election. They can be removed by unanimous agreement of all the other Trustee Directors. Employer Appointed Trustee Directors also serve for terms of four years and can be re-appointed by the Principal Employer. Employer Appointed Trustee Directors can be removed by the Principal Employer without giving any reason.

A Trustee Director will cease to be a Trustee Director if:

- He or she resigns as a Trustee Director.
- He or she is absent from Trustee meetings for more than six months without the other Trustee Directors' permission.
- He or she becomes of unsound mind.
- He or she becomes prohibited by law from acting as a Trustee Director or company director.

A quorum for a Trustee meeting requires at least one Trustee Director from each category (Employer Appointed, Member Nominated and Independent) to be present.

During the year ended 31 December 2022, the Trustee Board met on 9 occasions.

Management of the Scheme ***(continued)***

The Trustee has agreed a business plan to support its governance arrangements. This includes periodic reviews of registers of risks and conflicts to ensure that appropriate internal controls are put in place and remain effective.

Trustee Advisers

The Trustee has the support of the Lloyds Banking Group Pensions Department and has appointed professional advisers and other organisations to support it in delivering the Scheme's objectives. These individuals and organisations are listed on pages 1 to 2.

Committees

In order to carry out its duties the Trustee delegates some responsibilities to the following committees:

- The DC Committee ("DCC") provides a dedicated focus on DC matters, with the aim of seeking to optimise outcomes for members with DC retirement pots and to oversee compliance with DC regulatory requirements.
- The Operations Committee ("OPS") reviews and makes recommendations on administration and exercises discretions concerning the distribution of lump sums arising on the death of a member, as well as having responsibility for the operation of the internal dispute resolution procedure.
- The Governance, Audit and Risk Committee ("GA&R") has responsibility for the selection process for MNTDs, Trustee knowledge and understanding, Trustee effectiveness, monitoring the risk register and ensuring that the other committees take appropriate action to mitigate the risks that they are responsible for. The GA&R also oversee the annual report and financial statements and the budget of the Scheme.

The table below details Trustee Directors, who served during the year and to the date of approval of this report, who are, or were, members of the committees listed above:

Trustee	Committee member	Changes
H Baines	GA&R	-
G Askew	OPS, GA&R	until 5 April 2022
M Ashworth	OPS, GA&R (Chair), DCC	DCC until 6 April 2022
R Conway	GA&R	GA&R until 28 February 2022; then from 6 April 2022
J Blackwell	OPS (Chair), DCC	-
S Hughes	GA&R, OPS, DCC	GA&R until 31 December 2022, then DCC from 1 January 2023
J Hope	DCC	until 31 December 2022
M Cracknell	OPS, DCC (Chair)	-
S Raja	DCC	from 6 April 2022
V Turner	GA&R	From 1 January 2023

From time to time the Trustee may augment the skills and experience available to the Trustee by appointing Committee members who are not Trustee Directors.

Financial development of the Scheme

The Financial Statements of the Scheme for the year ended 31 December 2022, as set out on pages 15 to 27, have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

A summary of the Scheme's financial statements is set out in the table below:

	2022	2021
	£'000	£'000
Member related income	385,082	372,397
Member related payments	(119,509)	(159,367)
Net withdrawals from dealings with members	265,573	213,030
Net returns on investments	(490,333)	465,830
Net (decrease)/increase in the Scheme	(224,760)	678,860
Net assets at 1 January	4,347,555	3,668,695
Net assets at 31 December	4,122,795	4,347,555

Membership

The changes in membership during the year are as follows:

	Life cover only members	Active members	Deferred members	Total
At 1 January 2022	1,648	46,316	48,465	96,429
Adjustments to prior period	181	(87)	113	207
New members	1,048	7,005	-	8,053
Retirements	-	(6)	(406)	(412)
Members leaving with deferred benefits	-	(4,811)	4,811	-
Members leaving	(344)	(27)	-	(371)
Deaths	(1)	(29)	(25)	(55)
Transfers out	-	-	(1,214)	(1,214)
Commutation	-	(2)	(4)	(6)
Members opted out	-	(631)	-	(631)
Life members becoming active	(1,169)	1,169	-	-
At 31 December 2022	1,363	48,897	51,740	102,000

The adjustment to prior period was due to the late notification of member movements.

New members include members who have subsequently opted out of the Scheme.

Investment management

The Trustee's investment powers are set down in the Scheme's Trust Deed and Rules.

The Trustee is responsible for making all decisions concerning the Scheme's investment matters. The Trustee must have regard to the need for diversification of investments and to the suitability to the Scheme of the underlying investments.

The Trustee takes advice from the appointed professional investment adviser who assists the Trustee with making and implementing investment decisions through the provision of expert advice. Most significantly, the Trustee has a DC committee, formed by a sub-set of Trustee Directors, either to make recommendations to the Trustee, or to take decisions on those matters delegated to it under its terms of reference. In addition, the Trustee is supported by an executive Pension Investment and Funding Team ("PIFT"), headed by a Chief Investment Officer.

The Trustee's policy is to delegate responsibility for the exercise of rights attached to investments to the investment managers.

The assets of the Scheme are held in pooled investment vehicles, therefore, the responsibility for selection, appointment, monitoring and termination of the custody arrangements is delegated to the managers of these vehicles.

Statement of investment principles ("SIP")

A SIP has been prepared by the Trustee which sets out the principles and policies that the Trustee has put in place to govern how the Scheme invests, and which describes how decisions about investments are made. The SIP has been appended to this report.

A copy of the SIP is also available on the Lloyds Banking Group Pensions website detailed on page 2.

The SIP also includes the Trustee's approach to:

- Environmental, Social & Governance ("ESG") this refers to broader considerations that the Trustee and investment managers take into account when making investment decisions.
- Responsible investment, being the incorporation of ESG factors into the investment making process.
- Financial and non-financial matters taken into account in the selection, retention and realisation of investments.
- Voting and engagement.

Annual implementation statement

The Trustee has prepared an implementation statement, reporting on how the SIP has been followed during the year. The implementation statement has been included as an appendix to this report on pages 56 to 61 and is also available on the Lloyds Banking Group Pensions website detailed on page 2.

Task force on climate-related financial disclosures ("TCFD")

The Trustee is obliged to report in line with the TCFD. Such reporting covers four areas, summarised below:

- Governance - Describes how the Trustee maintains oversight of climate-related risks and opportunities, including the roles of those undertaking scheme governance activities, and the processes established to ensure such activity is undertaken.
- Strategy - Describes the impact of climate-related risks and opportunities on the investment strategy of the scheme. This is done through scenario testing the Trustee's investment strategy periodically over the

Task force on climate-related financial disclosures ("TCFD") ***(continued)***

short, medium and long-term and using this analysis to assess the resilience of the Schemes to climate change risks.
- Risk management - Describes the processes established by the Trustee for assessing and managing climate-related risks and how these have been integrated into the Scheme's overall risk management policy.
- Metrics/targets - Sets out the selection and calculation of the Trustee's chosen climate change metrics and targets.

The Trustee's TCFD report, which does not form part of this annual report, can be found on our Responsible investing page.

Investment objective

The Scheme is a DC scheme and therefore members' benefits are dependent on the amount of money paid into their individual accounts and the performance of investments.

The Trustee's objective is to make suitable investment arrangements available to members, to enable them to build up a retirement pot. A member can use some or all of this pot to purchase an annuity (a retirement product that provides a regular income over a set period of time), take a cash lump sum and/or transfer to another arrangement that will allow them to take income as and when needed (known as drawdown).

Investment strategy

Two investment approaches are available to members, LifePlan and PersonalChoice (both are set out below), Members' assets are managed by external investment managers through funds which are accessed via a third-party investment platform provider (Phoenix). The investment managers and platform provider have been chosen by the Trustee and are monitored by the Trustee on an ongoing basis.

PersonalChoice

PersonalChoice allows members to design their own investment strategy in their journey to retirement, by choosing to invest in any number and combination of the 14 funds available. The list of funds are as follows:

- Mixed Investment Fund
- Global Equity Fund
- Asia Pacific (ex. Japan) Equity Fund
- UK Equity Fund
- North America Equity Fund
- Japan Equity Fund
- Europe (ex. UK) Equity Fund
- Emerging Markets Equity Fund
- Property and Infrastructure Fund
- Bond Fund
- Annuity Bond Fund
- Cash Fund
- Shariah Global Equity Fund
- Sustainable Select Global Equity Fund

LifePlan

LifePlan gives members the option to choose a tailored investment pathway using a set of building blocks provided by the Trustee, to reflect their own risk appetite and retirement objectives. These strategies are designed to reduce risk gradually and automatically for members as they approach retirement.

The three LifePlan options that are available to members are:

- Flexible Income Focus – to provide a mix of investments for members approaching retirement which aims to balance the potential for future growth with the need to start taking an income.
- Annuity Income focus – to try and align changes in members' fund values with the cost of buying annuities in the run-up to retirement.
- Cash Focus – to provide a cash lump sum on retirement.

Default Option

The Trustee has designed a specific LifePlan for members who do not wish to design their own investment strategy, this is known as the default strategy. The default LifePlan, which targets flexible income at retirement, has been designed to be suitable for the majority of its membership. Further details of the default option are contained in the Annual Statement Regarding Governance, on pages 30 to 46.

Additional voluntary contributions ("AVCs")

The Scheme provides a facility for members to pay AVCs into the Scheme to enhance their benefits at retirement. Members can choose to invest their AVCs in the same range of funds as for the rest of the Scheme.

Employer-related investments

Details of employer related investments are given in note 22 to the financial statements.

Investment performance

The Trustee is not involved in investment managers' day to day investment decisions and operations, and therefore cannot directly influence attainment of the performance target. On a quarterly basis the DCC assess the investment managers' performance and adherence to their respective mandates. A set of measurable objectives has been developed for each investment manager consistent with the achievement of the Scheme's longer-term objectives with an acceptable level of risk.

Annualised performance of the investment funds to 31 December 2022, is shown below:

Fund	1 year		3 years		5 years	
	Fund %	Target %	Fund %	Target %	Fund %	Target %
Mixed Investment Fund	(14.8)	10.5	(0.7)	5.4	1.3	3.9
Global Equity Fund	(5.9)	(8.1)	6.4	7.4	6.5	7.6
Annuity Bond Fund	(28.2)	(29.4)	(7.9)	(9.3)	(3.3)	(3.8)
Cash Fund	1.3	1.4	0.5	0.5	0.6	0.5
UK Equity Fund	2.4	2.3	3.3	2.9	3.5	3.3
North America Equity Fund	(9.9)	(10.1)	10.7	10.6	11.3	11.2
Europe (ex. UK) Equity Fund	(6.5)	(7.1)	5.8	5.8	5.2	5.4
Japan Equity Fund	(6.3)	(6.6)	2.4	2.3	2.6	2.6
Asia Pacific (ex. Japan) Equity Fund	5.8	5.8	8.7	8.6	5.7	5.9
Emerging Markets Equity Fund	(12.1)	(10.0)	(3.3)	0.5	(0.8)	0.9
Bond Fund	(15.0)	(15.5)	(3.2)	(3.6)	(0.5)	(0.6)
Property and Infrastructure Fund	(6.7)	10.5	2.5	5.4	4.7	3.9
Shariah Global Equity Fund*	(15.8)	(15.2)	-	-	-	-
Sustainable Select Global Equity Fund*	(7.8)	(8.1)	-	-	-	-

Source: Phoenix

* Funds introduced in July 2021. Performance data is not available for the 3 and 5 year periods.

The Mixed Investment Fund, Global Equity Fund, Annuity Bond Fund, Cash Fund, Emerging Markets Equity Fund, Bond Fund, Property and Infrastructure Fund and Sustainable Select Global Equity Fund are either actively managed or have some component of active management in the underlying fund composition. All other funds are passively managed.

The performance shown above is based on the fund unit prices that are used for calculating members' pots and therefore reflects the actual investment returns experienced by members. The figures are consistent with those communicated in the fund factsheets.

The passively managed funds are designed to track their respective benchmarks/targets within a reasonable tolerance range. Fund performance, as shown above, may deviate from their respective targets due to charges (fees, expenses and transaction costs), underlying fund pricing swings and how closely the managers are tracking their underlying benchmarks.

For the actively managed funds, performance may deviate from their targets due to specific security selection and asset allocation decisions made by the Scheme's investment managers as part of their delegated responsibilities.

Statement of Trustee's responsibilities

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee. Pension Scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- 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 that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

- contain the information specified in the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above 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 preparing of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

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

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 it 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.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Scheme’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for securing that a Payment Schedule is prepared, maintained and from time to time revised, showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme 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 active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Payment Schedule. Where breaches of the Payment Schedule occur, the Trustee is required by the Pensions Act 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Statement of Trustee's responsibilities ***(continued)***

Internal disputes resolution procedures

A disputes resolution procedure has been agreed by the Trustee to resolve any queries raised by beneficiaries or potential beneficiaries of the Scheme and details of this can be obtained by writing to The Lloyds Banking Group Pensions department, whose address is on page 1.

Please refer to the enquiries section on page 2 for further information about the Scheme.

The Trustee's report was approved by the Trustee and is signed on its behalf by:

Trustee Director	Trustee Director
Date:	Date:

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Your Tomorrow (the "Scheme"):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2022 and of the amount and disposition at that date of its assets and liabilities, other than the 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 which comprise:
- the fund account;
- the statement of net assets; and
- the related notes 1 to 24.

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).

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 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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and 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

Other information ***(continued)***
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 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 liquidate the Scheme or to cease operations, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered 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.

We considered the nature of the Scheme's industry and its control environment and reviewed the Scheme's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee and pension management about their own identification and assessment of the risks of irregularities including those that are specific to the Scheme's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Scheme operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pension Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Scheme's ability to operate or to avoid a material penalty. These included the Scheme's regulatory requirements.

We discussed amongst the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets due to the significant size of investment transactions and balances. In response we have:

Extent to which the audit was considered capable of detecting irregularities, including fraud *(continued)*

- obtained an understanding of the relevant controls over investment holdings and transactions;
- agreed investment holdings to independent confirmations; and
- agreed investment and cash reconciliations to independent sales and purchase reports and bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee and pension management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Use of our report

This report is made solely to the Scheme's Trustee, as a body, 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 the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
Reading, United Kingdom

Date:

YOUR TOMORROW

FUND ACCOUNT

YEAR ENDED 31 DECEMBER 2022

	Notes	2022	2021
		£'000	**£'000**
Contributions and benefits			
Employer contributions		366,404	346,250
Employee contributions		6,902	7,763
Total contributions	**4**	373,306	354,013
Transfers in	**5**	4,896	9,331
Other income	**6**	6,880	9,053
		385,082	372,397
Benefits paid or payable	**7**	(20,075)	(23,577)
Payments to and on account of leavers	**8**	(86,845)	(122,405)
Administrative expenses	**9**	(4,678)	(5,922)
Other payments	**10**	(7,911)	(7,463)
		(119,509)	(159,367)
Net additions from dealings with members		265,573	213,030
Returns on investments			
Investment income	**11**	427	-
Change in market value of investments	**12**	(490,196)	466,202
Investment management expenses	**13**	(564)	(372)
Net returns on investments		(490,333)	465,830
Net (decrease)/increase in the fund during the year		(224,760)	678,860
Net assets of the Scheme			
At 1 January		4,347,555	3,668,695
At 31 December		4,122,795	4,347,555

The notes on pages 17 to 27 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

AS AT 31 DECEMBER 2022

	Notes	2022	2021
		£'000	£'000
Investment assets	**12**		
Pooled investment vehicles	**14**	4,079,805	4,310,021
Current assets	**19**	47,236	43,374
Current liabilities	**20**	(4,246)	(5,840)
Net assets of the Scheme available for benefits		4,122,795	4,347,555

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 and other benefits which fall due after the end of the Scheme year.

The financial statements on pages 15 to 27 were approved by the Trustee and are signed on its behalf by:

Trustee Director

Date:

Trustee Director

Date:

The notes on pages 17 to 27 form part of these financial statements.

1. Statement of compliance

The individual financial statements of Your Tomorrow 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 (FRS) 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 "Financial Reports of Pension Schemes" (revised 2018) (the SORP).

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 on page 2. The Scheme is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Currency

The Scheme’s functional currency and presentational currency is pounds sterling (GBP).

Contributions

Employer normal contributions are accounted for on an accruals basis on the date the payroll is run. Contributions made by the employer are based upon pensionable salaries at such rates as set out in the Payment Schedule. Contributions paid for members under the Scheme's salary sacrifice arrangement are treated as Employer normal contributions.

Employer other contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, on a receipts basis.

Member normal contributions are accounted for on an accruals basis on the date the payroll is run. Members’ normal contributions are based upon pensionable salaries and are categorised as such in circumstances where for the majority of members they decide to contribute between 2% and 6% of pensionable salary.

Member AVCs are accounted for on an accruals basis on the date the payroll is run. Members’ AVCs are based upon pensionable salaries and are categorised as such in circumstances where the member decides to contribute in excess of 6% of pensionable salary.

Transfers in

Individual transfers in from other schemes represent capital sums receivable in respect of individual members from other pension schemes of previous employers. They are accounted for on an accruals basis on the date the Trustee accepts the liability. The liability normally transfers when a payment is made, unless the Trustee agrees to accept the liability in advance of receiving the funds.

3. Summary of significant accounting policies *(continued)*

Benefits

Retirement benefits are accounted for on an accruals basis on the later of the date of retirement or the date the member exercises their option.

Lump sum death benefits are accounted for on an accruals basis on the date of death.

Where the Trustee is required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in the member's benefit receivable from the Scheme, this is shown separately within benefits.

Payments to and on account of leavers

Refunds to members leaving service within one month of commencing employment are accounted for on an accruals basis on the date of leaving the Scheme.

Individual transfers to other pension schemes represent the capital sums payable in respect of individual members transferring to other pension schemes. They are accounted for when paid which is normally the date the Trustee of the receiving scheme accepts the liability.

Administrative expenses

Administration expenses are accounted for on an accruals basis.

Other income

Insurance policies specifically allocated to cover the provision of death benefits for particular members of the Scheme have been entered into by the Scheme. Income received by the Scheme following claims on these insurance policies is accounted for on an accruals basis. The annual premiums paid to enter into these policies are charged to the fund account as other payments.

Investment income

Interest on cash deposits is accounted for on an accruals basis.

Other payments

Insurance policies specifically allocated to cover the provision of death benefits for particular members of the Scheme have been entered into by the Scheme. The annual premiums paid to enter into these policies are accounted for on an accruals basis. Income received by the Scheme following claims on these insurance policies is credited to the fund account as other income.

Other payments are accounted for when paid.

Investment management expenses

Investment gateway provider fees are accounted for on an accruals basis.

Bank charges are accounted for on an accruals basis.

3. Summary of significant accounting policies *(continued)*

Investment assets

Units held in pooled investment vehicles are stated at the bid price at 31 December 2022, as advised by the investment gateway provider, being the effective trade price.

Realised and unrealised capital gains and losses are reflected in the change in market value of investments in the fund account in the year in which they arise. In the case of pooled investment vehicles which are accumulation funds, change in market value of investments also includes income, net of withholding tax, which is reinvested in the fund.

4. Contributions

	2022	2021
	£'000	£'000
Employer Contributions		
Normal	347,369	328,287
Other contributions*	19,035	17,963
	366,404	346,250
Employee contributions		
Normal	5,221	5,777
AVCs**	1,681	1,986
	6,902	7,763
	373,306	354,013

* Other contributions are paid in accordance with the Payment Schedule at the rate of 1% of pensionable pay for active members to meet Scheme expenses.

**Members' contributions above 6% of pensionable salary, for the majority of members as specified in the Payment Schedule.

The Scheme allows members to make contributions through a salary sacrifice arrangement, which are included within employer normal contributions.

5. Transfers in

	2022	2021
	£'000	£'000
Individual transfers in from other schemes	4,896	9,331

6. Other income

	2022	2021
	£'000	£'000
Claims on term insurance policies	6,874	8,992
Other income	6	61
	6,880	9,053

7. Benefits paid or payable

	2022	2021
	£'000	£'000
Commutations & lump sum retirement benefits	9,136	11,765
Purchase of annuities	1,149	1,732
Lump sum death benefits	9,760	10,067
Payments to HMRC for annual allowances or lifetime allowances	30	13
	20,075	23,577

8. Payments to and on account of leavers

	2022	2021
	£'000	£'000
Refund to members leaving service	9	23
Individual transfers out	86,836	122,382
	86,845	122,405

9. Administrative expenses

	2022	2021
	£'000	£'000
Administration fees	2,146	2,184
Operating costs	697	684
Legal and professional fees	1,272	2,667
Trustee fees & expenses	149	159
General levies	245	141
Audit fee	49	40
Other admin expenses	120	47
	4,678	5,922

All administration expenses are funded by employer other contributions.

10. Other payments

	2022	2021
	£'000	£'000
Premiums on term insurance policies	7,911	7,463

11. Investment income

	2022	2021
	£'000	£'000
Interest on cash deposits	427	-

12. Investment assets

	2021				2022
	Value at 31 December £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 December £'000
Pooled investment vehicles	4,310,021	649,797	(389,817)	(490,196)	4,079,805

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles and are not separately identifiable.

Investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. Phoenix hold the investment units on a pooled basis with the Scheme administrator allocating units to members.

13. Investment management expenses

	2022	2021
	£'000	£'000
Investment gateway provider fees	320	317
Investment advisory fees	244	55
	564	372

14. Pooled investment vehicles

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

	2022	2021
	£'000	£'000
Equity funds	1,735,336	1,822,724
Bond funds	177,369	198,427
Diversified growth funds ("DGF")	2,110,987	2,235,631
Property funds	15,755	15,994
Cash funds	40,358	37,245
	4,079,805	4,310,021

All of these investments are unquoted, and UK registered.

14. Pooled investment vehicles *(continued)*

The holdings of pooled investment vehicles can be further analysed at fund level below:

		2022	2021
Fund	**Type**	**£'000**	**£'000**
Emerging Markets Equity Fund	Equity	23,374	25,964
Asia Pacific (ex. Japan) Equity Fund	Equity	27,987	25,668
Japan Equity Fund	Equity	11,612	11,524
Europe (ex. UK) Equity Fund	Equity	17,285	18,352
North America Equity Fund	Equity	68,125	66,546
UK Equity Fund	Equity	83,849	81,950
Global Equity Fund	Equity	1,488,010	1,580,697
Shariah Global Equity Fund	Equity	3,609	2,588
Sustainable Select Global Equity Fund	Equity	11,485	9,435
Cash Fund	Cash	40,358	37,245
Property & Infrastructure Fund	Property	15,755	15,994
Bond Fund	Bonds	10,996	10,897
Annuity Bond Fund (previously Annuity Focus Fund)	Bonds	166,373	187,530
Mixed Investment Fund	DGF	2,110,987	2,235,631
		4,079,805	4,310,021

Legal structure of the pooled investment vehicles is disclosed in note 17.

15. DC assets

Most of the investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf the contributions are paid.

Investments of the Scheme are allocated to members as follows:

	2022	2021
	£'000	**£'000**
Investments attributable to members	4,079,017	4,309,266
Investments not attributable to members	788	755
	4,079,805	4,310,021

16. Fair value determination

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

Level 1: The unadjusted quoted price in an active market for 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.

A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The Scheme's investment assets have been fair valued using the above hierarchy categories as follows:
:

2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	4,064,050	15,755	4,079,805

2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	4,294,027	15,994	4,310,021

Included within the level 3 pooled investment vehicles is the property and infrastructure fund. The fund is valued using unit prices as advised by the platform provider. 50% of the fund is made up of a managed property fund, the underlying property asset valuations are performed in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards UK PS 1.1 "Valuation for Financial Statements".

The funds made available to members may invest in assets that take longer to realise, in particular in stressed market conditions. There is a risk that members may experience a delay when moving or redeeming their investments. It is managed by investing in liquid assets in the default strategy. The property and Infrastructure fund available in the fund range is less liquid and would take longer to realise in certain circumstances. In assigning investments to the fair value hierarchy, consideration has been given to redemption and liquidity restrictions.

17. Investment risk disclosures

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks associated with the fund options made available to members. 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: this comprises 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.

As the Scheme is a DC scheme, the risks associated with the investments are borne by the individual members of the Scheme. The Trustee recognises that members have differing attitudes towards investment risk and that these attitudes can change during the course of members' working lives. The Trustee believes that members should be able to make their own investment decisions based on their own individual circumstances.

The Trustee accesses and invests in various investment funds via its investment platform provider, Phoenix. The day to day management of the underlying investments within the funds is the responsibility of the investment managers, including the direct management of credit and market risks.

The Trustee monitors the underlying risks by undertaking quarterly investment performance and risk reviews and holding periodic meetings with the investment managers.

Credit risk

Members are directly exposed to credit risk in relation to the investments they make through the investment platform provider, Phoenix. The investment platform arrangement means that the underlying funds are "wrapped" within an insurance policy agreement between Phoenix Life Limited and the Trustee. This insurance policy wrapper provides the Trustee, and ultimately the members, with protection. In the event of default by Phoenix, the Trustee (on behalf of members) could be entitled to compensation from the Financial Services Compensation Scheme ("FSCS"). Separately, Phoenix Life Limited contracts directly with the underlying investment managers via a reinsurance contract or via an open-ended investment company ("OEIC") or unit trust. In the event of a default by the underlying investment managers under a reinsurance contract, the Phoenix funds (in which members are invested) are protected by a floating charge over the assets as negotiated by Phoenix. In the event of a default by the underlying investment managers under an OEIC (including investment companies with variable capital "SICAV") or unit trust arrangement, assets are unaffected as they are segregated under the contractual arrangement which ultimately offers protection to members.

Phoenix and the underlying investment managers are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

The table on the following page details the underlying legal structures of the DC pooled investment vehicles.

17. Investment risk disclosures *(continued)*

Credit risk *(continued)*

Investment Manager	Legal Nature
Phoenix platform provider	UK Life assurer
Underlying investment managers:	
Legal and General Investment Management	Unit linked insurance policy
Somerset Capital Management LLP	OEIC
AQR Capital Management Europe LLP	SICAV
IMPAX Asset management Limited	Undertaking for collective investment in transferable securities ("UCTIS")
HSBC Global Asset Management (UK) Limited	SICAV
Invesco Asset Management Limited	OEIC
Wellington Management International LTD	OEIC

Analysis of direct credit risk

The Scheme's holdings in pooled investment vehicles are unrated as the ratings only apply to the underlying investments. Direct credit risk arises from the investments made through Phoenix. The Trustee carries out due diligence checks on the appointment of Phoenix and the underlying investment managers, on an ongoing basis, monitoring any changes to the regulatory and operating environment.

Members may be subject to indirect credit risk arising from the underlying investments. Member level risk exposures will be dependent on the funds in which they invest. The next section headed Market risk, details the fund options which are exposed to indirect credit risk.

Market risk

Members are also subject to indirect currency risk, interest rate risk and other price risk arising from the underlying investments held in the funds. Member level risk exposures will be dependent on the funds in which they invest. The table below details the fund options which are exposed to indirect currency risk, interest rate risk and other price risk. The funds and the associated indirect risk exposures are listed in the table below and the amounts are provided within note 14:

Fund	Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk
Global Equity Fund	x	✓	x	✓
Mixed Investment Fund	✓	✓	✓	✓
Cash Fund	✓	x	✓	x
UK Equity Fund	x	x	x	✓
North America Equity Fund	x	✓	x	✓
Europe (Ex UK) Equity Fund	x	✓	x	✓
Japan Equity Fund	x	✓	x	✓
Asia Pacific (Ex Japan) Equity Fund	x	✓	x	✓
Emerging Markets Equity Fund	x	✓	x	✓
Property and Infrastructure Fund	✓	✓	x	✓
Bond Fund	✓	x	✓	x
Annuity Focus Fund	✓	x	✓	x
Shariah Global Equity Fund	x	✓	x	✓
Sustainable Select Global Equity Fund	x	✓	x	✓

18. Concentration of investments

The following investments amounted to more than 5% of the total net assets of the Scheme:

	2022	2022	2021	2021
	£'000	%	£'000	%
Mixed Investment Fund	2,110,987	51.2	2,235,631	51.5
Global Equity Fund	1,488,010	36.1	1,580,697	36.4

19. Current assets

	2022	2021
	£'000	£'000
Other debtors	3,188	5,635
Cash balances	44,048	37,739
	47,236	43,374

Of the above items, £6,778k is allocated to members (2021: £5,348k). The unallocated balances are in respect of employer contributions paid to fund Scheme expenses and employer normal contributions retained by the Scheme that relate to members leaving the Scheme prior to vesting.

20. Current liabilities

	2022	2021
	£'000	£'000
Unpaid benefits	3,711	2,836
Accrued expenses	535	2,975
Other creditors	-	29
	4,246	5,840

Of the above items, £3,711k is allocated to members (2021: £2,836k).

21. Related party transactions

In accordance with Financial Reporting Standard 102, disclosure is made below of the transactions with related parties. In addition to contributions received from employees and payments made to the Scheme members, the Scheme undertook the following transactions:

Trustee:
The Trustee is also the Trustee for Lloyds Bank Pension Scheme No. 1, Lloyds Bank Pension Scheme No. 2, HBOS Final Salary Pension Scheme, and Scottish Widows Retirement Benefits Scheme.

Directors who are active members of the Scheme have had employer contributions paid into the Scheme in line with the Payment Schedule.

There were no transactions undertaken with related parties of the Scheme's Trustee Directors during the year.

Trustee fees:
Payments to Trustee Directors for the provision of trustee services to the Scheme for the year ended 31 December 2022 amounted to £149k (2021: £159k). These payments were paid by the Scheme and are included within note 9.

21. Related party transactions *(continued)*

Support services:
Administrative, secretarial, investment management and accounting support services are provided to the Scheme by the Lloyds Banking Group Pensions Department. The cost associated with these services was recharged to the Scheme by the Employer and amounted to £697k (2021: £684k) for the year ended 31 December 2022.

Banking:
The Scheme holds a bank account with Lloyds Bank PLC. The balance within this account as at 31 December 2022 was £44,048k (2021: £37,739k). During the Scheme year ended 31 December 2022, the Scheme received interest amounting to £427k (2021: £nil) and paid interest of £nil (2021: £nil).

22. Employer related investment

The Scheme invests in pooled investment vehicles, via the Scheme's investment platform, provided by Phoenix. These funds are benchmarked against indices, of which, in some instances Lloyds Banking Group is a constituent. The Scheme’s exposure to employer related investments as at 31 December 2022 totalled £13,101k (2021: £9,124k) which equated to 0.3% of the net assets of the Scheme.

The maximum exposure permitted by UK regulations is 5% of the net asset of the Scheme.

23. Contingent liabilities

In the opinion of the Trustee, there were no contingent liabilities at the Scheme year end (2021: £nil).

24. Subsequent events

There were no subsequent events requiring disclosure in these financial statements.

TRUSTEE'S SUMMARY OF CONTRIBUTIONS

YEAR ENDED 31 DECEMBER 2022

This summary of contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the Employer and member contributions payable to the Scheme under the Payment Schedule in respect of the Scheme year ended 31 December 2022. The most recent Payment Schedule was signed by the Employer on 28 January 2021 and by the Trustee on the 27 January 2021.The Scheme auditor reports on contributions payable under the Schedule in the auditor's statement about contributions.

	Year ended 31 December 2022
	£'000
Contributions payable under the Payment Schedule in respect of the Scheme year	
Employers	
Normal contributions	347,369
Other contributions	19,035
Employees	
Normal contributions	5,221
	371,625
Reconciliation of contributions payable under the Payment Schedule to total contributions reported in the financial statements	
Employees	
AVCs	1,681
Total contributions reported in the financial statements	373,306

Approved by the Trustee and signed on its behalf by:

Trustee Director

Date:

Trustee Director

Date:

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE

YEAR ENDED 31 DECEMBER 2022

We have examined the summary of contributions to Your Tomorrow for the Scheme year ended 31 December 2022 which is set out on the previous page.

In our opinion contributions for the Scheme year ended 31 December 2022 as reported in the summary of contributions and payable under the Payment Schedules have in all material respects been paid at least in accordance with the payment schedule dated 28 January 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 Payment Schedules. 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 Payment Schedules.

Respective responsibilities of Trustee and the auditor
As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary, revising, a Payment Schedule and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Payment Schedule.

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

Use of our report
This statement is made solely to the Trustee, as a body, 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 work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.

Deloitte LLP
Statutory Auditor
Reading, United Kingdom

Date:

1. Introduction

This Statement explains how Lloyds Banking Group Pensions Trustees Limited (the **Trustee**), the Trustee of Your Tomorrow (the **Scheme**), has met the legal requirements relating to the governance of defined contribution (**DC**) schemes during the Scheme year from 1 January 2022 to 31 December 2022 in relation to:

- the governance of the investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in),
- the requirements for processing financial transactions,
- the charges and transaction costs borne by members,
- an illustration of the cumulative effect of these costs and charges,
- the net returns of the investment options,
- a 'value for members' assessment, and
- trustee knowledge and understanding.

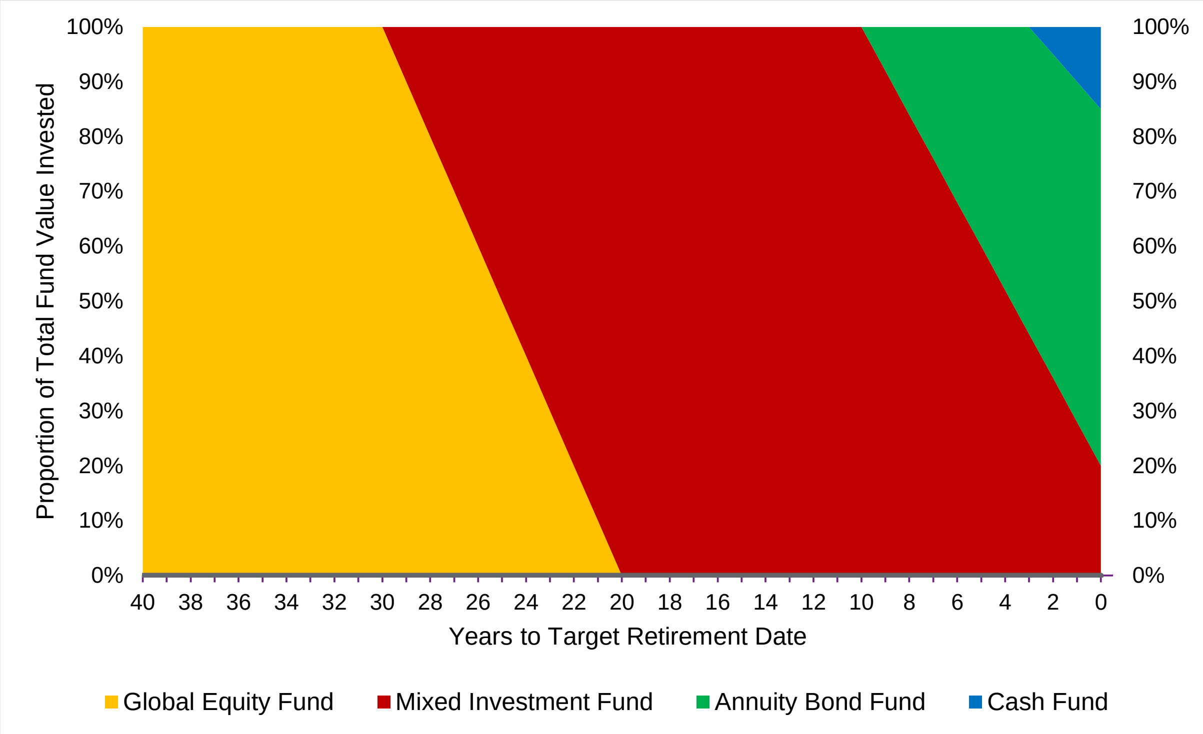
The Scheme is used as a 'qualifying scheme' for auto-enrolment purposes.

2. Default Investment Arrangements

LifePlan Annuity Income Focus (Default 1)

This investment option was the Scheme's "default arrangement" for legal purposes during the Scheme year for any members who were already invested in this option and who were less than 10 years from their normal retirement age or target retirement age as at 11 June 2021.

Funds
Global Equity Fund up to 30 years from retirement, switching into Mixed Investment Fund over the next 10 years, followed by a switch into the Annuity Bond Fund starting 10 years from retirement and a small proportion into the Cash Fund 3 years from retirement. The proportion invested in each fund over time changes as follows:



This is set up as a 'LifePlan' arrangement which means that members' investments are automatically moved between the funds depending on how close each member is to their target retirement date.

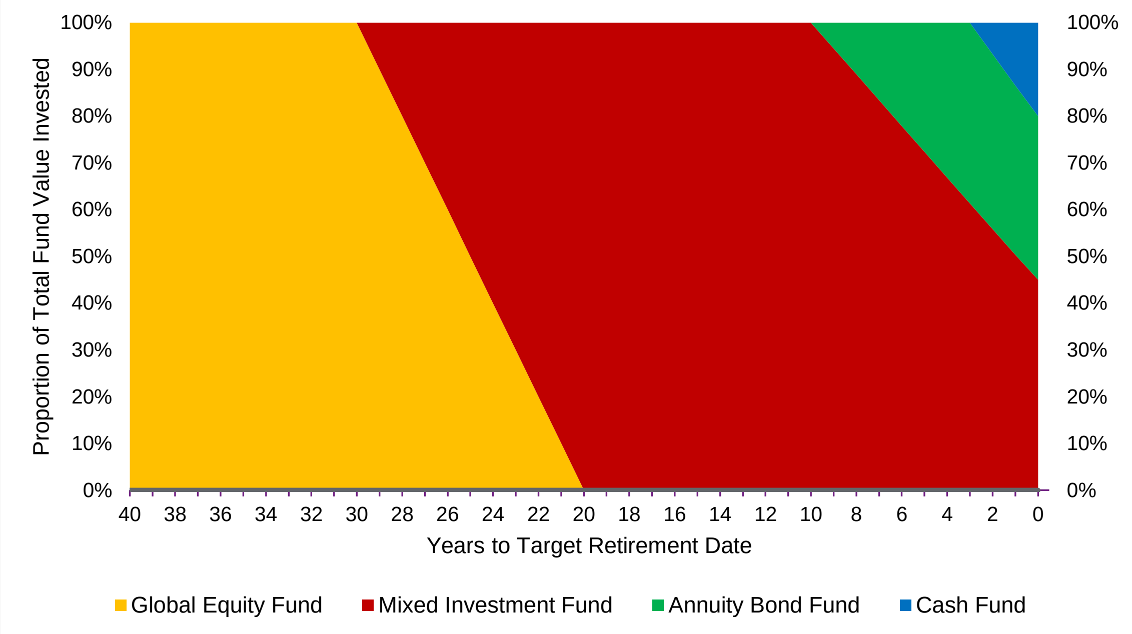
The aims and objectives of the Trustee in respect of the investments in Default 1 were as follows:

- To offer opportunities for capital growth in members' younger years with the aim that the fund can grow at a higher rate than inflation and therefore overcome inflation risk.
- To reduce investment volatility and the risk of sudden large falls in value in members' mid-life years, compared to the investments in members' younger years, to mitigate against capital risk in members' mid-life years.
- To try and align changes in members' fund values with the cost of buying annuities in the run-up to retirement to offer some relative protection to the purchasing power of members' funds, therefore minimising 'conversion' risk.
- To provide a value for money option so that members' funds are not eroded by excessive charges.

LifePlan Flexible Income Focus (Default 2)

This investment option was the Scheme's "default arrangement" for legal purposes during the Scheme year for all members in the YT and PIP Sections of the Scheme who had not made an active investment decision of their own, except for those members who were less than 10 years from their normal retirement age or target retirement age as at 11 June 2021.

Funds
Global Equity Fund up to 30 years from retirement, switching into Mixed Investment Fund over the next 10 years, followed by a switch into the Annuity Bond Fund starting 10 years from retirement and a small proportion into the Cash Fund 3 years from retirement. The proportion invested in each fund over time changes as follows:



This is set up as a 'LifePlan' arrangement which means that members' investments are automatically moved between the funds depending on how close each member is to their target retirement date.

The aims and objectives of the Trustee in respect of the investments in Default 2 were as follows:

- To offer opportunities for capital growth in members' younger years with the aim that the fund can grow at a higher rate than inflation and therefore overcome inflation risk.
- To reduce investment volatility and the risk of sudden large falls in value in members' mid-life years, compared to the investments in members' younger years, to mitigate against capital risk in members' mid-life years.
- To provide a mix of investments for members approaching retirement which aims to balance the potential for future growth with the need to start taking an income.
- To provide a value for money option so that members' funds are not eroded by excessive charges.

The Trustee's Investment Policies and Monitoring

The Trustee's policies in respect of the investments in all of the "default arrangements" set out above are as follows:

- The Global Equity Fund and Mixed Investment Fund are expected to produce returns in excess of inflation in the medium to long term but capital values can be volatile in the short term, so these funds are predominantly used when members are younger, meaning fund values are lower and there is time to recover from any sudden falls before retirement.
- The Trustee monitors the performance and risk of all funds at least quarterly.
- Bond prices are one factor that affects annuity rate pricing and therefore the Annuity Bond Fund is used in the defaults for PIP and YT Section members in the approach to retirement so that members' fund values are less likely to change significantly relative to the cost of buying an annuity or securing a regular level of income with some of their funds.
- The Cash Fund is very low risk but also produces low returns so this is only used close to retirement and as a smaller proportion of members' funds in order to provide some certainty of capital and liquidity.

- In order to provide liquidity and relative security of assets for members, all funds used by the Trustee in the default arrangements are daily priced and are accessed via an insurance company investment platform.
- The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers (within certain guidelines and restrictions).
- The Trustee has a Responsible Investment Policy (documented and maintained separately) that sets out how ESG (environmental, social and governance) considerations are applied in practice. This policy is reviewed periodically. The Responsible Investment Policy has been shared with each of the Scheme's investment managers and is available on the Scheme website.
- ESG factors (including climate change risk) are amongst the considerations that the Trustee considers financially material to the selection, retention and realisation of the Scheme's investments. The Trustee considers that ESG factors have a greater impact on some of the asset classes than others in which the Trustee invests and as such the Trustee tailors its expectations to different asset classes. Further detail on these expectations is included in the Trustee's Statement of Investment Principles, which is appended to this Statement, and in the Trustee's Responsible Investment Policy.

The following funds are also considered to be 'technical' default arrangements, according to the legal definition in DC governance regulations. This is because although members made a conscious decision to choose these funds, or previous funds that were replaced by these, the objective and characteristics of these funds have subsequently changed such that they are considered to be materially different to the previous funds or incarnations of these funds:

- Property and Infrastructure Fund
- Bond Fund
- Annuity Bond Fund
- Mixed Investment Fund
- Cash Fund
- LifePlan Cash Focus

The aims, objectives and policies for the default arrangements (including 'technical' default arrangements) are also set out in the Statement of Investment Principles. A copy of the Scheme's latest Statement of Investment Principles (**SIP**) dated December 2022 is appended to this Statement and is available separately on the Scheme website at www.lloydsbankinggrouppensions.com. The SIP is also signposted to members in their annual benefit statements.

The aims and objectives and the policies mentioned above are intended to help to ensure that assets are invested in the best interests of members who are invested in the default arrangements because they provide a balance of investment risk and return which is dynamically managed through an automated 'lifestyling' arrangement (i.e. changing depending on what life stage a member is at), so that members who do not choose to actively manage the regular switching of their own investments are not unduly exposed to inflation risk, annuity conversion risk or capital risk at inappropriate times in their lives.

The Trustee's DC Committee monitored the performance of the default arrangements against their aims, objectives and policies on a quarterly basis, and assessed whether these were on target for all groups of members invested in the default arrangements. The DC Committee also monitored all other investment options that are available to members through the Scheme on a quarterly basis.

The Trustee's reviews concluded that the default arrangements were performing broadly as expected and were consistent with the aims and objectives of the defaults as stated in the Statement of Investment Principles.

A formal review of the investment strategy, including all funds and default arrangements, commenced on 10 March 2022. High-level strategic decisions were agreed by the Trustee on 1 November 2022. The review concluded that the aims, objectives and general structure of the current default arrangements continue to be appropriate. It also concluded that the range of other funds available for members to choose from is comprehensive and appropriate for member needs. Further analysis was undertaken during early 2023 to assess if changes to the de-risking periods and the target at-retirement asset allocation of the LifePlan options might improve outcomes relative to the aims and objectives. Changes arising from this work are expected to be made during late 2023 or into early 2024.

In the meantime, the performance of the default arrangements continues to be monitored by the Trustee quarterly.

3. Investment Performance

This section states the annual return, after the deduction of member borne charges and transaction costs, for all default arrangements and investment options that members are able, or were previously able, to select and in which members' assets were invested during the Scheme year. The following information takes account of the statutory guidance published by the Department for Work and Pensions on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

Default Arrangements

Performance net of costs and charges for the LifePlan arrangements that are defaults for legal purposes is shown in the following tables. The performance is based on the unit prices of each fund. Where automated switching and rebalancing between funds occurs within LifePlan during the periods over which the performance has been calculated, this is based on a target retirement age of 65 and it assumes that it takes place using the unit prices on the last working day of each month. This may not be the case in reality depending on individual members' own target retirement dates and when switching and rebalancing actually takes place.

Default 1 (LifePlan Annuity Income Focus):

	Annualised performance to 31 December 2022 (%)		
Member Age at 31 Dec 2022	**5 years**	**3 years**	**1 year**
25 *	6.5	6.4	-5.9
45 **	-	0.1	-14.9
55	1.3	-0.7	-14.8

Default 2 (LifePlan Flexible Income Focus):

	Annualised performance to 31 December 2022 (%)		
Member Age at 31 Dec 2022	**5 years**	**3 years**	**1 year**
25 *	6.5	6.4	-5.9
45 **	-	0.1	-14.9
55	1.3	-0.7	-14.8

LifePlan Cash Focus (this is a 'technical default'):

	Annualised performance to 31 December 2022 (%)		
Member Age at 31 Dec 2022	**5 years**	**3 years**	**1 year**
25	6.5	6.4	-5.9
45	-	0.1	-14.9
55	1.3	-0.7	-14.8

Default 1 was introduced in March 2018 and Default 2 was introduced in July 2021, therefore it is not possible to show performance over periods that date back further than these dates where each option now invests in a mixture of funds that is different to the combination that existed prior to that. The previous defaults had different allocations to different funds at different times. Where performance is shown over longer periods, this relates to a single underlying fund which has a longer track record.

The performance of both Default 1 and Default 2 are the same as the underlying funds and the proportion invested in each of them were the same in both defaults for the members' ages and periods of time shown, as explained further below.

* A 25 year old member in Default 1 was moved into Default 2 in July 2021 so there were no 25 year old members in Default 1 as at 31 December 2022. However, performance is shown as some members subsequently chose themselves to invest in the LifePlan Annuity Income Focus option. This option, which is the same as Default 1, invested only in the Global Equity Fund for the periods shown, including prior to March 2018 (when the fund was called Global Journey). A 25 year old member continued to invest only in the Global Equity Fund following the introduction of Default 2 in July 2021.

** A 45 year old member in Default 1 was moved into Default 2 in July 2021 so there were no 45 year old members in Default 1 as at 31 December 2022. However, performance is shown as some members subsequently chose themselves to invest in the LifePlan Annuity Income Focus option. This option, which is the same as Default 1, invested in a mixture of the Mixed Investment Fund and Global Equity Fund after Default 1 was introduced in March 2018. A 45 year old member continued to invest in the same mixture of the Mixed Investment Fund and Global Equity Fund following the introduction of Default 2 in July 2021.

Performance net of costs and charges for all other funds including technical defaults is shown in the following table. This is based on the unit prices of each fund and therefore reflects the actual investment returns experienced by members.

Funds available to all members

	Annualised performance to 31 December 2022 (%)		
Fund	**5 years**	**3 years**	**1 year**
Global Equity Fund	6.5	6.4	-5.9
Mixed Investment Fund	1.3	-0.7	-14.8
UK Equity Fund	3.5	3.3	2.4
North America Equity Fund	11.3	10.7	-9.9
Japan Equity Fund	2.6	2.4	-6.3
Europe (Excluding UK) Equity Fund	5.2	5.8	-6.5
Asia Pacific (Excluding Japan) Equity Fund	5.7	8.7	5.8
Emerging Markets Equity Fund	-0.8	-3.3	-12.1
Property and Infrastructure Fund *	4.7	2.5	-6.7
Bond Fund *	-0.5	-3.2	-15.0
Annuity Bond Fund * / **	-	-7.9	-28.2
Cash Fund *	0.6	0.5	1.3
Shariah Global Equity Fund ***	-	-	-15.8
Sustainable Select Global Equity Fund ***	-	-	-7.8

* These funds are technical defaults.

** The Annuity Bond Fund was introduced in March 2018 so 5 year performance is not applicable.

*** The Shariah Global Equity Fund and Sustainable Select Global Equity Fund were only introduced in July 2021 so 3 and 5 year performance are not applicable.

4. Requirements for Processing Core Financial Transactions

The Trustee has received monthly stewardship reports and an annual controls assurance report from the Scheme's administrator, WTW, and has taken steps to ensure that there were adequate internal controls in place (as described below) to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme Year. "Core financial transactions" include the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

The Scheme has a service level agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core financial transactions. The SLA requires:

- contributions to be invested within 3 days of any queries being resolved,
- contribution changes and investment switches to be processed within 2 days where the request is submitted by paper form and immediately if submitted online, and
- most other transactions to be completed within 5 days of receipt of all necessary documentation.

The SLA sets a target that at least 95% or 98%, depending on the particular transaction, must be processed within these timescales in order to allow for any unexpected short-term fluctuations in transaction volumes. If service levels fall below the target, the Trustee engages with the administrator to understand why and to ensure plans are in place to return to the agreed service levels.

Between 1 January 2022 and 31 December 2022, the Trustee made sure that core financial transactions were processed promptly and accurately by:

- monthly monitoring of the administrator's service levels against the requirements in the SLA,
- monitoring the end-to-end process for the monthly investment of contributions to review the time taken to invest relative to the date of deduction of contributions from members' pay by their employers, and
- reviewing the administrator's annual controls assurance report (known as an AAF report, which is an abbreviation from the *Audit and Assurance Faculty's technical release on reporting internal controls of service organisations made available for third parties*). This report is prepared to 30 September each year, with a bridging letter to 31 December, and covers the design and effectiveness of controls over pension scheme administration activities and supporting technology.

Processes in place to ensure promptness and accuracy include:

- Contributions received are reconciled monthly to ensure that there is an active member record for each contribution received and that each active member record has a contribution. Unit holdings at a fund and Scheme level are also reconciled monthly with the fund platform provider. The Scheme administrator has a dedicated contribution processing and dealing team.

- Transfers out of the Scheme to other schemes and payments out of the Scheme to members or other beneficiaries are made electronically wherever possible so that settlement is as prompt as possible.

- All members have access to their own personal account online. This allows members to switch between funds, change contribution levels, obtain up-to-date quotations and view and check their own details in real time at any time of the day. This online functionality allows members to submit instructions and make changes immediately and removes the risk of manual administration errors associated with the use of paper forms.

- All standard transaction types and benefit calculations are automated, removing the risk of manual errors.

- The Scheme administrator processes all incoming correspondence, enquiries and requests through a workflow system which categorises work and assigns it to teams and individual administrators based on agreed priorities and service levels.

- Data quality of member records is reviewed and reported by the Scheme administrator at least annually.

The Trustee's monitoring as set out above found the following in the Scheme year:

- The Trustee is satisfied that there were no material administration errors in relation to processing core financial transactions.
- The Trustee is satisfied that monthly contributions were invested in an accurate and timely manner every month as the process is largely automated.
- Core financial transactions are grouped into 8 categories and SLAs are reported for each category at the end of each month. Out of the total of 48 reportable SLAs for the year ended 31 December 2022, 30 were processed within the agreed SLA and 18 were not. There are a number of reasons why SLAs were not met in some months for some transaction types, the main ones being:
    - Transfers out (6 out of the 18): additional checks and information that are required following statutory changes to the transfer process introduced through the Pensions Act 2021. The Trustee continues to work with WTW to identify where efficiencies and improvements can be made to the information gathering and review process.
    - Death benefits (4 out of the 18): each was one individual case which narrowly missed SLA but had no financial detriment to beneficiaries, and because of the low overall volume of cases caused the average SLA metric to be below target (e.g. 1 case in a total of 3 results in a SLA of 66.7%).
    - Retirements (3 out of the 18): missed the overall SLA by a very narrow margin (e.g. 97.7% versus the target of 98%).
- Where overall service levels were below target and where a significant delay or factor in this was due to the Scheme administrator, the transactions were assessed to determine if there had been any material financial detriment to members or beneficiaries and compensation was applied where applicable.
- Where service levels narrowly missed SLA (as in the death and retirement cases mentioned above), the reasons for SLA failures were considered at the regular review meetings between the Trustee and WTW. These meetings aim to understand whether SLAs are not met due to unique circumstances relevant to individual cases, or due to other factors such as workloads, in which case resourcing and prioritisation plans are discussed to prevent reoccurrence.

5. Member-Borne Charges and Transaction Costs

Level of member-borne charges

The Trustee is required to set out the on-going charges borne by members in this Statement, which are annual investment management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is known as the total expense ratio (**TER**). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges exclude any non-investment management costs, e.g. member administration services, member communications and the Trustee's advisers and service providers including auditor, legal adviser, fund platform provider and investment adviser, as these costs are not borne by members.

The TERs can vary from day to day but the movements are normally within a very narrow range. The information about charges has been provided quarterly by the Scheme's fund platform provider, Phoenix Life, and annually by the insurance companies that provide AVCs in respect of defined benefit members.

The member-borne charges for the Scheme's default arrangements complied with the statutory Charge Cap of 0.75% during the Scheme Year.

During the period 1 January 2022 to 31 December 2022, the ranges of charges applicable to the default arrangements (including technical defaults) were as set out below.

Funds	Total Expense Ratio %
Default 1: LifePlan Annuity Income Focus (Global Equity Fund switching into Mixed Investment Fund, followed by Annuity Bond Fund and Cash Fund) *	0.10 to 0.26
Default 2: LifePlan Flexible Income Focus (Global Equity Fund switching into Mixed Investment Fund, followed by Annuity Bond Fund and Cash Fund) *	0.11 to 0.26
LifePlan Cash Focus *	0.12 to 0.26
Property and Infrastructure Fund	0.38 to 0.39
Bond Fund	0.25 to 0.26
Annuity Bond Fund	0.07
Mixed Investment Fund	0.25 to 0.26
Cash Fund	0.06

* This is set up as a 'LifePlan' arrangement which means that members' investments are automatically moved between the funds depending on how far each member is away from their normal or chosen target retirement date. This means that the charges applicable to each member will depend on how close they are to their retirement date and in which fund(s) they are invested.

The ranges of charges applicable to all funds, including those which are not part of the default arrangements and in which some members were invested, were as follows:

Fund	Total Expense Ratio %
Global Equity Fund	0.12 to 0.16
Mixed Investment Fund	0.25 to 0.26
UK Equity Fund	0.03
North America Equity Fund	0.05
Japan Equity Fund	0.05
Europe (Excluding UK) Equity Fund	0.05
Asia Pacific (Excluding Japan) Equity Fund	0.05
Emerging Markets Equity Fund	0.68 to 0.70
Property and Infrastructure Fund	0.38 to 0.39
Bond Fund	0.25 to 0.26
Annuity Bond Fund	0.07
Cash Fund	0.05 to 0.06
Shariah Global Equity Fund	0.30
Sustainable Select Global Equity Fund	0.62 to 0.63

Details of current charges for all funds are available to members within the fund factsheets which can be accessed via the 'Investments' section of the Scheme's website at:
www.lloydsbankinggrouppensions.com.

Level of member-borne transaction costs

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this Statement, the transaction costs shown are those incurred when the investment managers buy and sell assets within investment funds.

The Trustee requested information from its investment platform provider, Phoenix Life, in respect of transaction costs which were borne by members of the Scheme for the period 1 January 2022 to 31 December 2022. 100% of assets were reported unless otherwise stated.

Negative transaction costs can arise due to how underlying assets within the funds are traded (for example, if assets are sold and the final execution price is higher than when the trade was first placed and the difference is greater than the selling costs). The investment platform provider has calculated the transaction costs on the Trustee's behalf.

Fund	Transaction Costs incurred 1 January 2022 to 31 December 2022 %
Global Equity Fund	0.09
Mixed Investment Fund	0.10
Annuity Bond Fund	0.09
Property & Infrastructure Fund	0.22
Bond Fund	0.81
Cash Fund	0.02
Europe (excluding UK) Equity Fund	0.06
Emerging Markets Equity Fund	0.25
UK Equity Fund	0.28
North American Equity Fund	0.03
Japan Equity Fund	0.01
Asia Pacific (excluding Japan) Equity Fund	0.04
Shariah Global Equity Fund	-0.07
Sustainable Select Global Equity Fund	0.30

6. Costs and Charges Illustrations

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustee has set out below illustrations of the impact of charges and transaction costs on different investment options in the Scheme. The illustrations have been prepared in accordance with the Department for Work and Pensions statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known with certainty in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below each set of illustrations.

The illustrations do not show all funds but show the default options (including technical defaults) and those funds with the highest level of charges (Emerging Markets Equity Fund) and the lowest level of charges (UK Equity Fund).

Youngest member:

	Flexible Income Focus LifePlan (Default 2)		Annuity Income Focus LifePlan (Default 1)		Cash Focus LifePlan		Emerging Markets Equity Fund		UK Equity Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,100	£4,100	£4,000	£4,000
3	£11,400	£11,300	£11,400	£11,300	£11,400	£11,300	£11,700	£11,600	£11,400	£11,300
5	£19,100	£19,000	£19,100	£19,000	£19,100	£19,000	£20,100	£19,600	£19,100	£19,000
10	£40,000	£39,700	£40,000	£39,700	£40,000	£39,700	£44,400	£42,600	£40,000	£39,900
15	£63,800	£62,900	£63,800	£62,900	£63,800	£62,900	£74,800	£70,100	£63,800	£63,300
20	£90,400	£88,700	£90,400	£88,700	£90,400	£88,700	£112,600	£103,100	£90,700	£89,800
25	£118,000	£114,700	£118,000	£114,700	£118,000	£114,700	£159,800	£142,700	£121,100	£119,600
30	£145,600	£139,400	£145,600	£139,400	£145,600	£139,400	£218,500	£190,100	£155,500	£153,100
35	£174,900	£165,100	£174,900	£165,100	£174,900	£165,100	£291,800	£247,000	£194,400	£190,900
40	£206,200	£192,100	£206,200	£192,100	£206,400	£192,200	£383,000	£315,200	£238,400	£233,500
48	£255,800	£235,000	£254,800	£234,900	£251,500	£230,300	£578,000	£453,600	£321,200	£313,100

	Property & Infrastructure Fund		Bond Fund		Annuity Bond Fund		Mixed Investment Fund		Cash Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000	£3,900	£3,900
3	£11,200	£11,100	£11,200	£11,000	£11,100	£11,100	£11,200	£11,100	£10,700	£10,700
5	£18,600	£18,300	£18,600	£18,200	£18,300	£18,300	£18,600	£18,400	£17,200	£17,200
10	£38,000	£36,900	£38,000	£36,400	£37,100	£36,800	£38,000	£37,300	£32,700	£32,600
15	£59,000	£56,400	£59,000	£55,300	£56,800	£56,200	£59,000	£57,200	£47,000	£46,900
20	£81,600	£76,800	£81,600	£74,800	£77,500	£76,500	£81,600	£78,300	£60,300	£60,000
25	£105,900	£98,200	£105,900	£95,000	£99,200	£97,600	£105,900	£100,500	£72,700	£72,200
30	£132,200	£120,500	£132,200	£115,900	£122,100	£119,700	£132,200	£124,000	£84,100	£83,500
35	£160,400	£143,900	£160,400	£137,400	£146,200	£142,700	£160,400	£148,900	£94,700	£94,000
40	£190,800	£168,400	£190,800	£159,700	£171,400	£166,800	£190,800	£175,100	£104,600	£103,600
48	£244,500	£210,000	£244,500	£196,800	£214,600	£207,500	£244,500	£220,100	£118,800	£117,600

Average member:

	Flexible Income Focus LifePlan (Default 2)		Annuity Income Focus LifePlan (Default 1)		Cash Focus LifePlan		Emerging Markets Equity Fund		UK Equity Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£58,000	£57,900	£58,000	£57,900	£58,000	£57,900	£59,300	£58,800	£58,200	£58,100
3	£72,800	£72,300	£72,800	£72,300	£72,800	£72,300	£77,400	£75,800	£73,500	£73,400
5	£87,800	£86,800	£87,800	£86,800	£87,800	£86,800	£97,100	£94,100	£89,700	£89,300
10	£126,300	£123,100	£126,300	£123,100	£126,300	£123,100	£154,900	£145,900	£133,600	£132,700
15	£167,400	£161,100	£167,400	£161,100	£167,400	£161,100	£226,800	£208,100	£183,400	£181,600
20	£211,600	£201,200	£211,500	£201,100	£211,800	£201,200	£316,500	£282,700	£239,700	£236,700
25	£257,700	£242,800	£256,900	£242,500	£259,500	£243,600	£428,200	£372,100	£303,300	£298,700
28	£283,200	£266,000	£282,100	£265,800	£278,400	£260,600	£508,000	£434,100	£345,500	£339,600

	Property & Infrastructure Fund		Bond Fund		Annuity Bond Fund		Mixed Investment Fund		Cash Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£57,700	£57,300	£57,700	£57,200	£57,400	£57,300	£57,700	£57,400	£56,000	£56,000
3	£71,700	£70,600	£71,700	£70,100	£70,800	£70,500	£71,700	£70,900	£66,300	£66,200
5	£86,100	£84,100	£86,100	£83,200	£84,400	£84,000	£86,100	£84,700	£76,200	£76,100
10	£124,200	£119,000	£124,200	£116,800	£119,700	£118,600	£124,200	£120,600	£99,800	£99,400
15	£165,200	£155,500	£165,200	£151,400	£156,800	£154,700	£165,200	£158,400	£121,700	£121,100
20	£209,300	£193,700	£209,300	£187,300	£195,800	£192,500	£209,300	£198,400	£141,900	£141,100
25	£256,900	£233,600	£256,900	£224,300	£236,800	£231,900	£256,900	£240,600	£160,700	£159,500
28	£287,200	£258,500	£287,200	£247,100	£262,400	£256,400	£287,200	£267,100	£171,300	£170,000

Member approaching retirement:

	Flexible Income Focus LifePlan (Default 2)		Annuity Income Focus LifePlan (Default 1)		Cash Focus LifePlan		Emerging Markets Equity Fund		UK Equity Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£53,900	£53,700	£53,900	£53,700	£53,900	£53,700	£55,400	£55,000	£54,400	£54,300
3	£69,500	£68,800	£69,400	£68,800	£69,600	£68,900	£74,900	£73,500	£71,300	£71,200
5	£85,400	£84,300	£85,300	£84,200	£85,700	£84,400	£96,300	£93,400	£89,100	£88,800
10	£125,600	£123,000	£125,300	£122,900	£123,400	£120,500	£158,800	£150,000	£137,700	£136,900

	Property & Infrastructure Fund		Bond Fund		Annuity Bond Fund		Mixed Investment Fund		Cash Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£53,900	£53,600	£53,900	£53,500	£53,600	£53,600	£53,900	£53,700	£52,400	£52,400
3	£69,600	£68,600	£69,600	£68,100	£68,700	£68,500	£69,600	£68,900	£64,500	£64,400
5	£85,700	£83,800	£85,700	£83,000	£84,100	£83,700	£85,700	£84,400	£76,200	£76,100
10	£128,300	£123,200	£128,300	£121,000	£123,900	£122,800	£128,300	£124,800	£104,000	£103,700

The assumptions and methods of calculation used in producing the illustrations above are as follows:

1. Projected fund values are shown in today's terms and are rounded to the nearest £100.
2. Contributions and costs/charges are paid halfway through the year.
3. Investment returns (see 8 below) and costs/charges as a percentage reduction per year are assumed to be applied at the end of the year.
4. Charges and costs are deducted before applying investment returns.
5. Inflation is 2.5% each year.
6. Contributions are paid from age 17 to 65 for the youngest member, 37 to 65 for the average member and 55 to 65 for the approaching retirement member, at a rate of 5% by the member plus 13% from the employer and increase in line with assumed earnings inflation of 0% per year.
7. Values shown are estimates and are not guaranteed.

8. The real projected growth rates for each fund are as follows:

	Before charges	After charges
Flexible Income Focus LifePlan	2.50% to 0.73%	2.33% to 0.55%
Annuity Income Focus LifePlan	2.50% to 0.73%	2.33% to 0.55%
Cash Focus LifePlan	2.50% to -0.60%	2.33% to -0.76%
Emerging Markets Equity Fund	4.50%	3.70%
UK Equity Fund	2.50%	2.41%
Global Equity Fund	2.50%	2.33%
Bond Fund	1.50%	0.66%
Annuity Bond Fund	1.00%	0.87%
Mixed Investment Fund	1.50%	1.10%
Cash Fund	-1.50%	-1.55%
Property & Infrastructure Fund	1.50%	0.92%

* Global Equity Fund is shown as it is a component fund of the three LifePlan options.

9. Transaction costs and other charges have been provided by the fund platform provider, Phoenix Life, and covered the period from Q1 2018 to Q4 2022. The transaction costs used in the illustration have been averaged using a time-based approach. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. For any negative figures provided by Phoenix, a cost of zero was used in the illustration above to give a more realistic projection (i.e. a member would not expect transaction costs to be negative over the long term).
10. The scheme's normal retirement age is 65.
11. Example members are as follows and are based on representative and average members in the Scheme:
    - Youngest: age 17, annual basic pay: £19,300, starting fund value: £500.
    - Average: age 37, annual basic pay: £33,600, starting fund value: £50,800.
    - Approaching retirement: age 55, annual basic pay: £38,500, starting fund value: £46,200.

7. Value for members assessment

The Trustee assessed the extent to which the costs, charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value", but the Trustee considers that it broadly means that the combination and level of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market. This assessment is carried out annually.

The assessment was carried out by the DC Committee, which has appropriate experience focused on DC matters, on behalf of the Trustee, with support from its DC-related strategic and investment adviser ("DC Adviser")..

The ongoing costs and charges were assessed by the DC Adviser. The benchmarking compared the Scheme's investment options, including performance and charges, against other similar schemes known to the DC Adviser and against publicly available information from investment managers and other large DC schemes including Master Trusts. A rating of either '*poor*', '*fair*', '*good*' or '*very good*' was assigned to the Scheme in respect of each aspect that was assessed relative to the comparators.

The findings from the assessment for 2022 were considered by the Trustee's DC Committee which concluded that the Scheme offered *very good* value. This is because members only paid investment management related costs and all other costs of running the Scheme, including administration, governance and communications were met from general Scheme assets which were funded by the employers in Lloyds Banking Group.

The Scheme's investment management costs (as measured by the Total Expense Ratio) were still found to be some of the lowest amongst schemes that have similar investment arrangements and were below the median and at the lower end of the comparator range for each type of fund. The Global Equity Fund (used in the early phase of the default) produced higher returns over the three years to 31 December 2022 than the funds used by the majority of Master Trusts in the same phase of their defaults, albeit with higher volatility. This is expected as the comparators tended to include more diversified assets than global equities in this phase of their defaults. The Mixed Investment Fund (used in the mid-phase of the default) produced returns slightly below the comparators and with more volatility. The increased volatility is expected due to changes that were made to the fund in 2021, which also aim to improve returns over the medium to longer term.

The Trustee compared the transaction costs with those for similar funds used by the DC Adviser's other clients. This comparison found that the transaction costs borne by members for the majority of funds were below or in line with those of the other schemes in the comparison group. The Bond Fund, UK Equity Fund, Sustainable Select Global Equity Fund and the Property and Infrastructure Fund had higher transaction costs than other funds in those asset classes. However, there are a number of factors that contribute towards transaction costs, such as having a more active style of management, so this does not necessarily mean that the other funds offer better value. In terms of overall investment performance net of costs and charges, these funds achieved their objectives and performed in line with expectations over all periods measured when considering the underlying asset classes and general market and economic environment. On this basis, the Trustee concluded that the funds provided value for members. As part of the Trustee's investment strategy review which started during 2022 as explained earlier, the Trustee is reviewing the appropriateness of inflation-based benchmarks for some funds. This is because the funds performed as expected and were comparable to peers, but the nature of the underlying assets in the funds is not directly correlated to inflation so during periods when inflation is unusually high, such as in 2022, the benchmark does not behave in a way which allows meaningful comparison against the fund's performance.

The Trustee reviewed the Scheme's overall design, governance arrangements, member communications, administration and at-retirement support in-depth during the Scheme year ended 31 December 2021, as explained in last year's Statement. An in-depth review is usually carried out every two to three years, therefore these were not reviewed in depth during 2022. However, the Trustee carries out routine monitoring of these on an ongoing basis.

8. Trustee Knowledge and Understanding

The Scheme's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee Director must:

- be conversant with the trust deed and rules of the Scheme, the Scheme's Statement of Investment Principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally, and
- have appropriate knowledge and understanding of the law relating to pensions and trusts and the principles relating to the investment of assets of occupational pension schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding. This includes maintaining and updating a training log for each individual Trustee Director showing all formal and informal training undertaken, and a skills matrix to help understand and assess the combined skills and experience of the Board as a whole. The Trustee Directors assess their individual knowledge on an ongoing basis to identify any areas which could be improved and any new topics which are relevant, with training arranged accordingly. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The Directors of the Trustee during the last Scheme year who were in office at the end of the year included:

- three member-nominated Trustee Directors, two of whom have many years of experience of working within the pensions industry, with the third having a background in finance and banking,
- three professional Independent Trustee Directors with broad experience of pension scheme management and governance, and
- three employer-nominated Trustee Directors with experience of the pensions industry, including two who previously held senior roles within the Group and other trustee boards, and one who has had various senior pensions and finance related roles outside of the Group.

Of the nine Trustee Directors, eight were accredited professional trustees in accordance with the definition and expected standards set out by the Pensions Regulator (see: *www.thepensionsregulator.gov.uk/en/trustees/professional-pension-trustee-standards* for more information). In addition, independent specialists who are not Trustee Directors but who are also accredited professional trustees are members of the Board's Committees.

All Trustee Directors who were in role at the start of the Scheme year have previously completed the Pensions Management Institute's Award in Pension Trusteeship. A new Trustee Director appointed during the year also attained the Award in Pension Trusteeship by the year-end.

All new Trustee Directors undergo induction training carried out by the Trustee's legal advisers and representatives from the investment and governance teams within Lloyds Banking Group's Group Pensions team, who are involved in the day-to-day running of the Scheme. This includes an overview of the legal and regulatory framework relating to pensions, investment training and training on the benefit structure and design of the Scheme. A new Trustee Director who was appointed during the year has completed induction training.

The Trustee received advice on investment, legal and other matters from a number of advisers including:

- Allen & Overy LLP – legal advice.
- Lane Clark & Peacock LLP –DC-related strategy and investment advice (DC Adviser).

Between 1 January 2022 and 31 December 2022, the Trustee Board met its statutory obligations relating to knowledge and understanding by undertaking the following activities:

- Receiving regular updates from its legal advisers on relevant and topical legal developments, which are raised by the Scheme's lawyers at Board meetings, as appropriate.
- Receiving training and attended sessions on:
  - Trustee investment decision making, responsible investment and investment techniques.
  - Taskforce on Climate-Related Financial Disclosures.
  - The Pensions Dashboard.
  - The Regulator's Single Code of Practice.
  - Trustee Risk and Control Framework.
  - General Data Protection Regulations.
  - DC Value for Members – an overview of the regulatory requirements, approach and a reminder of the assessment conclusions from the previous Scheme year.
  - Use of technology in pensions.
  - Cyber security.
- Trustee Directors are required to complete a refresh of the Pensions Regulator's 'Trustee Toolkit' at least every three years.
- Trustee Directors have a rolling review of their Governance Manual. This includes the following sections, amongst others, which are relevant to ensuring the trustee directors are fit and proper for their roles: DC governance, conflicts of interest, trustee knowledge and understanding and gifts and hospitality policies.

The Board held dedicated strategy days, which included reviews of progress towards certain objectives, and considered whether the strategic objectives remained appropriate. All activities and meeting papers are aligned to one or more specific Board objectives.

An effectiveness review took place during 2022. An independent consultant assessed the performance of the Trustee Board and its committees and how their skills, purpose and roles support the overall strategy. The review also assessed the support provided by Group Pensions and the structure, operation and management of meetings. No significant issues were identified. The Trustee Board tasked its Governance, Audit & Risk Committee with developing and implementing an action plan to give effect to the review's suggestions for improvement to effectiveness.

The Chairman presents annually a report to Lloyds Banking Group summarising and evaluating activities carried out by the Trustee during the calendar year.

For these reasons, the Trustee is able to exercise its function properly because of the combined knowledge and understanding of the Trustee, together with the advice and support which is available to and accessed by the Trustee.

9. Inclusion and Diversity

The Trustee wants its stakeholders to know the importance that the Trustee places on inclusion and diversity. Inclusion and diversity is a developing area of Trustee policy.

Inclusion and diversity are important factors in the Trustee's effectiveness in supporting good member outcomes, because (amongst other things):

- The Schemes' membership is diverse, and members' needs are diverse.
- Member engagement is more effective when it considers the experiences, perspectives, and circumstances of different sorts of members.
- People work more effectively when they can be as much of their whole selves as they wish, working in psychological safety.
- Decision-making is better when it benefits from including diverse thoughts, experiences and backgrounds, and recognises unconscious bias.
- Taking account of inclusion and diversity as part of responsible investing can help to reduce risk and/or deliver better long-term returns.

The Trustee applies its inclusion and diversity policy to the Trustee Board, its Committees, and its Executive.

The Trustee applies its inclusion and diversity policy when it engages with members and other beneficiaries.

The Trustee seeks to engage on principles and approaches with its advisers and other suppliers, and with the managers of the Schemes' assets where applicable. The Trustee respects that partners will have varying approaches but expects constructive engagement from all.

Diversity is broader than the nine 'protected characteristics' specified in The Equality Act 2010. At its broadest, diversity can mean any aspect that differentiates groups and individuals from each other.
In an inclusive organisation:

- No individual or group feels that they need to hide, change or compromise anything about themselves, or that they are unable to speak out.
- The differences that individuals bring are viewed as a strength.
- All individuals are effectively involved and supported, so they can reach their full potential and so the organisation benefits from their full talents and experiences.
- Individuals and groups are treated impartially and fairly.

How does the Trustee embed inclusion and diversity in its engagement with members?

- The Trustee considers how the varied backgrounds, circumstances, and needs of members and other beneficiaries can be reflected in communications, options (such as investment options) and (where applicable) benefits for members (such as exercising discretions in a way that recognises diversity of identities and relationships).

- The Trustee welcomes Lloyds Banking Group's aim to create a fully inclusive environment for all of its colleagues, customers and communities, truly representative of modern-day Britain. The Executive and some Directors and non-Director Committee members, as Group colleagues, benefit from the Group's policies, training and other initiatives that support inclusion and diversity. The Trustee values the Group's programmes, for example its Race Action Plan, and the Group's network channels that can help to relay some messages. Where appropriate the Trustee will engage with the Group on member outcomes to help to inform the Group's decisions.

How does the policy apply to advisers, asset managers and other suppliers?

- The Trustee expect advisers and other suppliers to understand the Trustee's approach to inclusion and diversity and to be transparent about their goals for inclusion and diversity, and their progress. When there are limitations to what advisers and suppliers are able to implement in order to support inclusion and diversity, the Trustee expects constructive engagement as it seeks to challenge those limitations.
- The Trustee's advisers, asset managers and other suppliers should help to broaden the diversity of inputs into decisions and into the operation of the Schemes.
- Inclusion and diversity are important contributors to the quality of the outputs from advisers and suppliers, and to the success of their businesses.
- Inclusion and diversity considerations will be part of the Trustee's assessment of its advisers and other suppliers.

Signed on behalf of the Trustee

Harry Baines
Chair of theTrustee

Some Helpful Definitions

SIP: Statement of Investment Principles: The SIP is this document which details the principles and policies that the Trustee has put in place to govern how the Scheme invests, and which describes how decisions about investments are made.

DC: Defined Contribution: A defined contribution pension scheme is one in which members build up a pot of money from the employer's and their own contributions that can then be used to provide an income in retirement. The income a member might get from a defined contribution scheme depends on factors including the amount paid in, the fund's investment performance and the choices made at retirement.

AVC: Additional Voluntary Contribution: Some members may pay additional voluntary contributions (AVCs) to enhance their expected retirement benefits. The manner of treatment and investment options available for the AVCs are the same as for the rest of the Scheme.

Default strategy: Members have the choice to construct their own investment strategy from a number of investment options selected by the Trustee. If they choose not to do this, there are pre-selected investment strategies that the member goes into.

ESG: Environmental, Social and Governance: ESG refers to important broader considerations that the Trustee and Investment Managers take into account when making investment decisions. The following are examples of these sorts of considerations:

- impact of the investment on climate (environmental);
- how the manufacture or consumption of a product might affect the wider community (social); and
- the policies that a company has in place in relation to remuneration and addressing the gender pay gap (governance).

Responsible Investment: the incorporation of ESG factors into the investment decision making process.

Introduction

This Statement of Investment Principles (SIP) has been prepared by Lloyds Banking Group Pensions Trustees Limited (the 'Trustee') as the Trustee of Your Tomorrow (the 'Scheme'). It sets out the principles and policies governing investment decisions made by or on behalf of the Trustee in the management of the Scheme's and members' assets.

The SIP has been prepared in accordance with all relevant legislation.

In preparing the SIP, the Trustee obtained and considered written advice from professional advisers who the Trustee believes to be suitably qualified and experienced to provide this advice. The Trustee also consulted with Lloyds Bank plc, the Principal Employer.

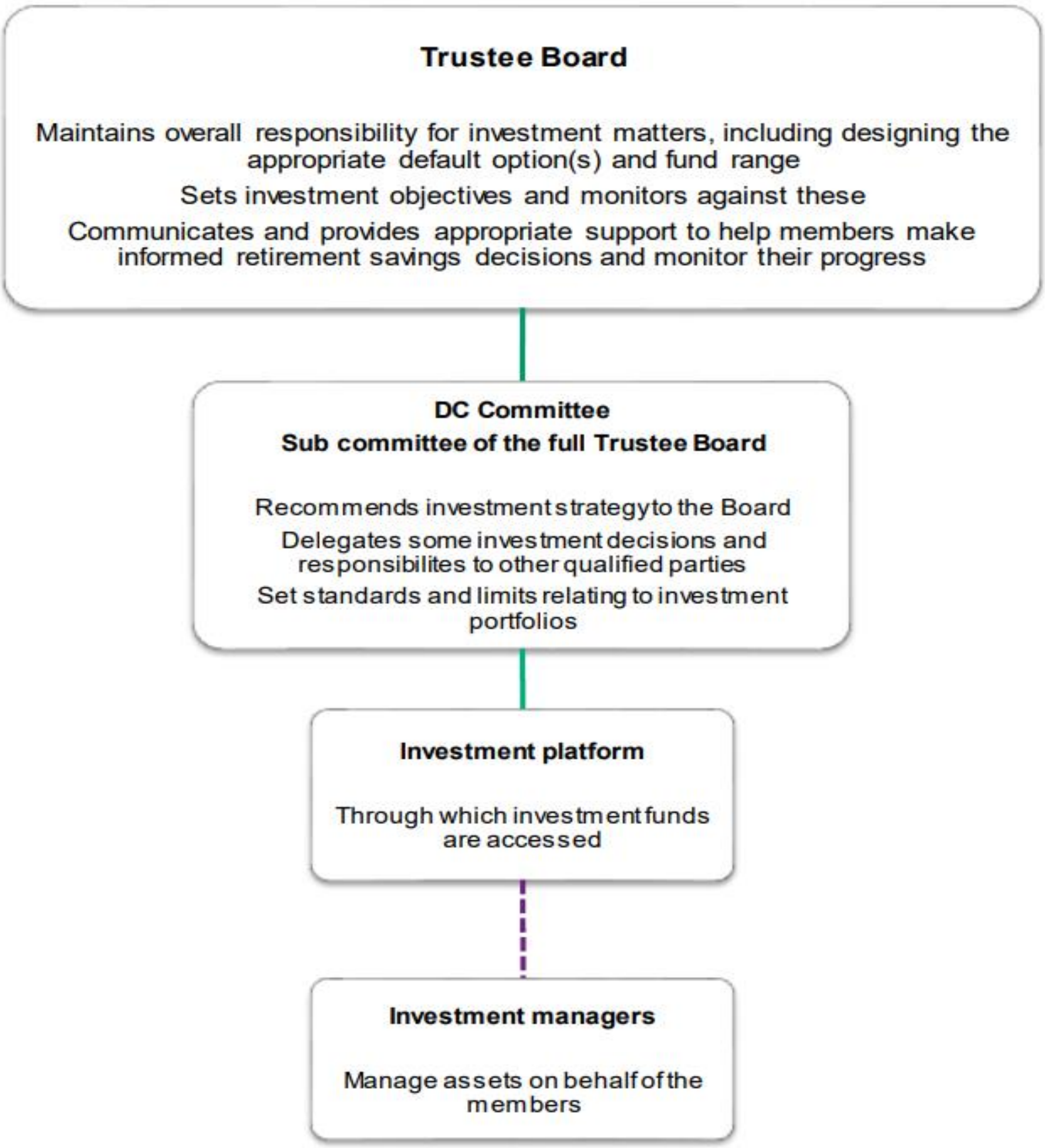
The Trustee will review the SIP every three years, and without delay after any significant change to the investment approach, the Scheme membership or relevant legislation or regulation.

The Scheme is open to new members and provides benefits based on the pot of money a member has built up on a defined contribution basis.

Governance Structure

To help the Trustee to fulfil its responsibilities, the Trustee may delegate certain decisions to committees or internal teams/individuals but has oversight of these other decision-makers and retains ultimate responsibility for the decision making on investment matters.

The following decision-making structure has been established:



Investment Beliefs

The Trustee has established a set of investment beliefs for the Scheme. These beliefs provide an objective and transparent framework for consistent decision making and set the background against which all investment related decisions are made for the benefit of the Scheme.

Investment beliefs

1. **Governance -** Good trustee governance improves the quality of investment decisions. Decision-making should be delegated to those best placed to take the decision based on their knowledge, skills and resources.

2. **Risk -** Investing involves a degree of risk that is usually rewarded over the long term. Long-horizon investors have flexibility that short-horizon investors do not and can better exploit illiquid opportunities. However, the associated risks need to be carefully managed to ensure members in DC are treated fairly and benefits are paid as they fall due.

3. **Asset Allocation -** Diversification across asset classes, countries and fund managers helps to manage risk. The balance between different asset classes is the most important driver of performance over the long term. Short-term tactical investment decisions are left to asset managers.

4. **Qualitative and Quantitative Factors -** Investment decisions should be informed by a number of considerations. Qualitative factors, such as judgement and experience, can be as important as quantitative factors, such as performance and costs.

5. **ESG -** Environmental, social and governance (ESG) factors are important to successful long-term investment decisions. Effective stewardship helps improve long-term outcomes. Climate risk is a systemic and significant risk that merits specific attention.

6. **Scale -** Scale can provide a competitive edge through a greater ability to exploit market inefficiencies, innovate and achieve value for money from fund managers.

7. **Active Management -** It is possible to find skilful managers who can exploit market inefficiencies in certain asset types and countries. However, it can be more difficult given the regulation and operational requirements for DC investments.

8. **Costs and Fees -** Investment management fees and other implementation costs are integral to managing value for money, but are not an overriding constraint on where to invest.

9. **LifePlan Investment Strategy -** The majority of members are likely to rely on the investment strategy designed by the Trustee (known as the LifePlan). The structure and design of this strategy is the most important driver of member outcomes.

Investment Objective and Strategy

Investment Objective

The Trustee's objective is to make suitable investment arrangements available to members, to enable these members to build up a retirement pot. A member can use some or all of this pot to purchase an annuity (a retirement product that provides a regular income over a set period of time), take a cash lump sum and/or transfer to another arrangement that will allow them to take income as and when needed (known as drawdown).

Implementation of the Investment Strategy

Two investment approaches are available to members: LifePlan strategies and PersonalChoice (both set out below). A member can invest in both options if they wish.

Members' assets are managed by external investment managers through funds which are accessed via a third-party investment platform provider. The investment managers and platform provider have been chosen by the Trustee and are monitored by the Trustee on an ongoing basis.

Investments can normally be sold through the daily dealing cycle of the investment platform, although under stressed market conditions realisation of assets may be delayed. The Trustee chooses funds that offer frequent dealing to enable members to access their benefits and change their investment selections.

The Trustee believes that the funds currently being offered under the Scheme meet the members' investment needs and provide adequate diversification of investments. The Trustee keeps the fund range under review. The Trustee's policies including its approach to financially material considerations, non-financial matters, stewardship and engagement apply across the fund range.

LifePlan

LifePlan gives members the option to choose a tailored investment pathway using a set of building blocks provided by the Trustee, to reflect their own risk appetite and retirement objectives. These strategies are designed to reduce risk gradually and automatically for members as they approach retirement.

The Trustee has designed a specific LifePlan for members who do not wish to design their own investment strategy. This is known as the default strategy. The default LifePlan that has been designed to be suitable for the majority of its membership. The key objectives for the default strategy are:

- to provide an opportunity for members to generate growth when they are further away from their chosen retirement date;
- to reduce risk as the member approaches their chosen retirement age; and
- to ensure the asset allocation at retirement is appropriately aligned to the assessed likely income choices.

The Trustee's policies set out in this document apply equally to all of the default arrangements (including those below). The Trustee believes that these objectives and policies ensure that the assets in the default arrangements are invested in members' best interests.

The Trustee is responsible for ensuring that the funds within the default arrangements, are, as far as practicable, sufficiently diversified so as not to be reliant on any particular asset class or company.

PersonalChoice

PersonalChoice offers a range of investment funds for members to choose from, selected by the Trustee. These are standalone options and do not automatically reduce risk over time (unlike the LifePlan strategies).

Full details on the investment strategies and funds that are available to members can be found on the Scheme website.

The Trustee monitors the existing arrangements and investment funds to ensure that they remain appropriate, on a regular basis.

Other default arrangements

From time to time, the Trustee may transfer investments to an alternative LifePlan and/or PersonalChoice fund without individual member consent. This may happen because the Trustee makes changes to the investment arrangements offered and members are transferred automatically to an alternative LifePlan or fund. There may also be exceptional circumstances when the member's investment instructions cannot be implemented (for example if an existing fund is closed to investment). Under these circumstances, this alternative LifePlan or PersonalChoice fund, may also be treated as a 'default arrangement'. The Trustee's aims and objectives in respect of such arrangements will depend on the circumstances applicable to the decision (for example to match the fund previously selected by the member as closely as possible, or to maintain value until a new fund choice can be made by a member).

Full details of the LifePlan strategies and PersonalChoice funds that are considered default arrangements can be found on the Scheme website.

Responsible Investment and Non-Financial Matters

Responsible investment is the inclusion of environmental, social and governance (ESG) considerations within investment management processes and practices. The Trustee believes that its approach to responsible investment is aligned with its responsibility to act in the members' best financial interests over both the short and long term.

The Trustee has a responsible investment policy, which is reviewed on an annual basis (or more frequently if required).

This document sets out how ESG considerations are applied in practice and have been shared with each of the Scheme's investment managers.

The Trustee's policies set out in this document apply to all funds within the fund range including the default arrangement.

Environmental, Social & Governance and Financially Material Considerations

ESG factors, including climate change risk, are recognised by the Trustee as financially material to the selection, retention and realisation of the Scheme's investments. More details are set out in the Trustees' Responsible Investment policy. The Trustee considers that ESG factors have greater impact on some asset classes than others and as such the Trustee tailors its expectations to different asset classes.

The Trustee believes that integrating ESG considerations into its investment strategy and design enhances investment returns and/or manages risk. ESG factors are considered over both the short and long-term given the expected timescale of the investment period or horizon.

The Trustee will consider excluding specific investments (for financial or, in limited circumstances, non-financial reasons) providing the impact of such exclusions is consistent with Trustee's fiduciary duty. The Trustee recognises that the investment managers' consideration of ESG factors may also lead them to exclude specific securities.

The Trustee appoints external investment managers and has delegated day-to-day investment activity to them within set guidelines and restrictions. The Trustee expects investment managers to embed responsible investment, including ESG considerations, into the manager's investment process and practices. The extent to which managers succeed in doing so is taken into account in the selection of these managers and through ongoing monitoring. Details of the Trustee's arrangements with investment managers are set out at Appendix A.

Once appointed, the internal executive team regularly questions and assesses its investment managers on their management of ESG related risks when selecting individual securities. In addition, each manager is assigned a rating reflecting the manager's commitment to ESG, the extent to which ESG considerations are integrated in the investment process and its approach to stewardship and extent of ESG reporting.

Stewardship - voting and engagement

The Trustee has a duty to act as a responsible steward of the Scheme's assets. This duty includes the exercise of ownership rights and engagement activities (with assistance from agents acting on the Trustee's behalf). Details of the Trustee's stewardship policy are included in the responsible investment policy.

The Trustee, via its internal executive team, engages directly with managers on its responsible investment priorities and other ESG-related issues. Managers are expected to explain and demonstrate how their stewardship approach impacts their decisions on the Scheme's investments. Progress is monitored through regular meetings and reporting and is reflected in the manager's rating, which inform the Trustee's selection and retention decision.

The Trustee believes that the Scheme's investment managers are best placed to conduct voting decisions on the Scheme's behalf. It also expects its investment managers to engage with the underlying companies, where appropriate to do so. The Trustee supports the principles of the UK Stewardship Code 2020 and expects its managers to become a signatory or make progress towards becoming a signatory of the Code.

In addition, where appropriate to do so, the Trustee expects the investment managers to vote on the Trustee's behalf, consistent with the voting guidelines issued by the Pensions and Lifetime Savings Association, which in turn supports the UK Corporate Governance Code. The Trustee expects its investment managers to use the OECD Corporate Governance Principles and the International Corporate Governance Network Global Governance Principles when voting in markets outside the UK.

The Trustee requires its investment managers to report periodically on their engagement and voting practices and confirm the extent to which the above policy has been followed during the year.

The Trustee may engage in collaborative activities with other asset owners, investment managers and other parties in support of broader responsible investment initiatives or otherwise to further the Trustee's aims and objectives as set out in this statement.

Non-Financial Matters

Non-financial matters include the views of the Scheme's membership on ethical matters, and their views about the social and environmental impact of the Scheme's investments.

The Trustee may, in limited circumstances, exclude specific investments for non-financial reasons providing the impact of such exclusions is consistent with Trustee's fiduciary duty.

Risk Management

The Trustee regards risk as the likelihood of failing to meet the investment objective set out above for members.

The Trustee recognises that the Scheme is exposed to a number of investment risks, which must be regarded independently as well as in combination. It gives both qualitative and quantitative consideration to these risks in all aspects of Scheme management, including when setting investment policy, strategic asset allocation and in the choice of fund managers.

Examples of key risks considered by the Trustee are set out in Appendix B. However, it should be noted that this list is not exhaustive. A separate Trustee Risk Register sets out a more comprehensive list.

Risk measurement and monitoring

The Trustee recognises specific investment risks which can be managed through the choice of investment options provided to members. The different risks will have different levels of importance for members at different stages in their life and the Trustee considers this when constructing and monitoring the default option and the range of funds to be made available. Risks are monitored by the Trustee on a regular basis through:

- A quarterly performance and risk report covering both the investment funds and underlying investment managers
- An annual review of the asset security held on the third-party platform provider
- A periodic review of the Trustee Risk Register
- An annual responsible investment monitoring report

Appendix A: Investment Manager Arrangements

The Trustee employs multiple third-party investment managers, who are authorised under the Financial Services and Markets Act 2000, to undertake the day-to-day investment activity for the Scheme. Appropriate due diligence has been undertaken and advice from an investment adviser is received in writing when establishing the suitability of the managers, as required by Section 36 of the Pensions Act 1995 (as amended in 2004).

The Trustee is not involved in each investment manager's day to day operation but will regularly assess individual manager performance and adherence to their respective mandates. Guidelines, performance objectives and restrictions have been agreed with each manager, as set out in the contractual agreements. These give each manager the responsibility for selection and retention of appropriate assets within their respective portfolios.

There are four primary criteria by which investment managers are selected:

- Rating provided by Scheme's investment adviser – these are driven by quantitative analysis and qualitative research that assesses the business, investment process, stewardship approach and the quality of the investment manager's people skills, in order to identify those managers who might be expected to outperform their peers.

- Pensions Investment and Funding Team rating – the internal executive team constructs a rating (to complement the adviser's rating) based on whether an investment manager's approach is consistent with the Schemes' overall investment strategy and provides value for money.

- The manager's approach to ESG integration, voting and engagement will be considered in this rating. The manager's practices in these areas will be monitored and appropriate action will be taken to ensure their stated policies are being applied, including engagement with the manager.

- Operational rating – a rating is assigned to reflect the investment manager's ability to operate efficiently and in line with regulatory standards (this rating does not reflect the quality of the investment decision making).

- Performance and risk rating – a quantitative assessment of the investment manager's ability to deliver an agreed performance objective. Depending on the specific legal / contractual agreement, some variability around performance is expected; generally, the higher the performance target the higher the potential variability.

By applying the above criteria to investment managers as part of the selection process, and by monitoring managers against these criteria on an ongoing basis, the Trustee intends that:

- appointed managers are incentivised to align investment strategy with Trustee policies and to make investment decisions based on medium to long-term performance.

- the Scheme incentivises the managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with such issuers in order to improve their performance in the medium to long-term.

- the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustee's investment policies.

The Trustee requires the investment managers to provide details of transaction and portfolio turnover costs incurred on an annual basis and will discuss this with each of them in order to fully form an understanding of the transaction-related costs to the Scheme. In addition, the Trustees may appoint external providers for the purpose of measuring the performance of the Schemes and their investment managers against the agreed objectives.

It is likely that an investment manager will be removed if they are not meeting the criteria outlined above - or where there is a change to the Trustee's investment strategy. Otherwise the manager is expected to remain in place in line with the Trustee's long-term investment horizon.

Appendix B: Primary Risks

Risk	Description	Mitigation
Risk of asset underperformance	The risk that the Actual Return for an asset is below the Expected Return, therefore adversely affecting member pot sizes.	This is monitored on a quarterly basis, with changes made to the investment strategy where appropriate.
Pricing risk	The risk that the bid/offer spread available to buy/sell assets widens due to elevated levels of market volatility and/or short term shortage of market liquidity.	This is managed by investing in a diverse range of assets.
Inflation risk	The risk that investments do not provide a return at least in line with inflation and so their value falls in real terms	This is managed by investing in assets that provide long-term growth over inflation in the default strategy.
Currency risk	Some of the assets held by the Scheme will be denominated in currencies other than Sterling. There is a risk that relative movements of Sterling and other currencies lead to losses (or gains) in the value of the investment.	The Trustee periodically review the appropriateness of the level of currency exposure in the default strategy.
Climate change and broader ESG risks	ESG risks can have a significant effect on the long-term performance of the Scheme's assets. In addition, poor ESG management can cause reputational damage to the Scheme and Lloyds Bank plc.	Analysis is undertaken to review the potential impact of these risks on the long-term investment returns. Adjustments to the investment policy will be made based on this, if appropriate.
Illiquidity risk	The risk that funds made available to members may invest in assets that take longer to realise, in particular in stressed market conditions. There is a risk that members may experience a delay when moving or redeeming their investments.	This is managed by investing in liquid assets in the default strategy. The Property and Infrastructure Fund available in the fund range is less liquid and it might not be suitable for members who are close to retiring or switch between funds regularly.
Third Party risk (e.g. Platform provider, Managers, Counterparties)	The risk that the Scheme may be directly impacted by an issue stemming from a third party, for example, systems or data breaches, or if the third party ceases to exist.	Managed by periodic monitoring of the activities of third parties and discussing performance where appropriate. Restrictions are in place as to who can authorise specific transfers of cash, and the accounts to which these can be made.

Operational risk	The risk of errors, fraud, poor advice, administrative issues or acts of negligence.	This is managed through the careful choice of investment managers (having first sought appropriate professional advice) and of third-party providers.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement, leads to uncertainty over the benefit amount likely to be received.	It is managed in the default strategy by switching investments into bonds as members approach retirement

1. Introduction

This document is the annual implementation statement (the Statement) prepared by Lloyds Banking Group Pensions Trustees Limited (the Trustee) in respect of Your Tomorrow (the Scheme) year ended 31 December 2022.

This Statement is required by legislation and seeks to address three key areas:

1. Firstly, to highlight any review and/or changes to the Scheme's Statement of Investment Principles (the SIP) over the course of the year;
2. Secondly, a review as to how the Trustee adhered to the SIP during the year; and
3. Finally, to provide an overview of voting behaviour (including the most significant votes cast by or on behalf of the Trustee) during the year.

By way of reminder, the Scheme is a defined contribution (DC) scheme that is open to new members.

To help the Trustee to fulfil its responsibilities, the Trustee may delegate certain decisions to committees or individuals. However, the Trustee has oversight of these other decision-makers and retains ultimate responsibility for the decision-making on investment matters.

2. Review of, and changes to the SIP

At the start of the Scheme year (1st January 2022), the SIP, dated December 2020, was in force.

The SIP was reviewed and updated in December 2022. In addition to the SIP update, the responsible investment policy (RI Policy) was also reviewed and updated.

3. Adherence to the SIP

This section of the Statement sets out how, in the opinion of the Trustee, the Trustee followed the SIP that was in force at the relevant time over the course of the year.

DC Investment Objective: *The DC investment objective is to make suitable investment arrangements available to members with DC benefits, to enable these members to build up a retirement pot.*

There was no change to the DC investment objective throughout the year.

On a quarterly basis, the Trustee reviewed the performance and risk (versus set targets) of each of the funds made available to members.

Responsible Investment and Non-Financial Matters: At the start of the year, the Trustee had a RI Policy in place.

During the year, the RI Policy was reviewed and updated in December 2022. The change was not significant and more information is available in the RI Policy on the Scheme website.

The Trustee also reviewed its investment manager ESG ratings and aggregate carbon emissions of the DC scheme (to the extent possible) during the year. No changes were made to the investment options as a result of this assessment.

Risk Management: The Trustee regards risk as the likelihood of failing to meet the investment objectives for DC members. The various risk measurement and monitoring methods referred to in the SIP were all completed/provided (as appropriate) to the Trustee's satisfaction during the year.

Investment Managers: The Trustee utilises multiple third-party investment managers, who are authorised under the Financial Services and Markets Act 2000, to undertake the day-to-day investment activity for the Scheme.

Performance of individual investment managers and adherence to their respective mandates was assessed on a quarterly basis, with the assistance of external consultants/service providers.

Each investment manager was reviewed against the selection criteria as outlined in the SIP and investment manager ratings were subsequently updated at least once throughout the year. As a result of these reviews and the broader triennial strategy review, no manager was removed over the course of 2022.

To the extent reasonably possible, the Trustee requested transaction cost and portfolio turnover costs from its investment managers which were included in the Scheme's Chair's Statement.

In light of all activities outlined in this statement, in the opinion of the Trustee, the applicable SIP has been followed closely during the year.

4. Stewardship Activities

The Trustee seeks to act as a responsible steward of the Scheme's assets. Stewardship encompasses both the exercise of ownership rights and engagement.

From a voting perspective, the Trustee believes that the Scheme's investment managers are best placed to conduct voting decisions on the Scheme's behalf. That said, the Trustee expects its investment managers to vote in line with widely recognised guidelines such as those issued by the Pensions and Lifetime Savings Association or the International Corporate Governance Network Global Governance Principles. The investment managers are required to report any deviation from the policy. Over the course of 2022, the Trustee was not made aware of any deviations from this policy.

Voting rights are typically limited to equity investments. The majority of the Scheme's equity investments are held in pooled investment funds where the Trustee does not directly own the underlying investments; instead it owns units in the pooled fund which represent its share of the value of the underlying investments. The investment manager of the pooled fund is responsible for exercising voting rights on behalf of all investors in the fund. Whilst the Trustee cannot exercise these votes directly, the Trustee reviewed its investment managers' approach to voting and stewardship throughout the year.

The Trustee reviewed its investment managers' voting activity on a quarterly basis. All investment managers appointed by the Trustee utilise proxy voting services to assist in exercising voting rights. The statistics for the Scheme year are included in appendix 1 for reference alongside the votes the Trustee considers to be most significant (in appendix 2). To that effect, the Trustee considers the most significant votes to be those that relate to the Trustee's responsible investment priorities (as described below).

From an engagement perspective, the Trustee engages with its investment managers and in turn expects them to engage with the underlying companies they invest in. Whilst not a signatory, the Trustee supports the principles of the U.K. Stewardship Code.

As part of the continuous oversight and monitoring responsibilities, evidence of engagement was requested at regular portfolio update meetings throughout the year.

As part of the update to the RI Policy, the Trustee sought to incorporate a number of responsible investment priorities into its engagement programme. There are many important environmental, social or governance related topics the Trustee could look to engage with its investment managers on. On the grounds of financial significance, the Trustee has decided to focus its efforts on three key areas:

1) Climate Change;

2) Corporate governance within its investee companies; and

3) Cognitive diversity within its investment managers.

The Trustee was also involved in several collaborative activities with other asset owners/managers within the industry over 2022. The Trustee was part of a working group established by the Institutional Investors Group on Climate Change (IIGCC) and helped established the Net Zero Investment Framework with other asset owners and asset managers.

The Trustee will seek to engage with its investment managers on these priorities over 2023.

Appendix 1 – Voting Disclosures[1]

	Scheme Level
How many meetings the Trustee (via its investment managers) was eligible to vote at over the year to 31/12/2022?	15,694
How many resolutions the Trustee (via its investment managers) was eligible to vote at over the year to 31/12/2022?	173,075
What % of resolutions did its investment managers vote on for which they were eligible?	100%
Of the resolutions on which our investment managers voted, what % did they vote **with** management?	79%
Of the resolutions on which our investment managers voted, what % did they vote **against** management?	21%
Of the resolutions on which our investment managers voted, what % did they **abstain** from?	1%

[1] The data has been sourced via the underlying investment managers, appointed by the Trustee, using the PLSA voting template. Figures are likely to include some element of double counting as the Trustee may hold the same security across multiple investment managers. The figures may not sum due to rounding. For the purposes of this statement, we have shown eligible resolutions that each fund manager was entitled to vote on behalf of the Trustee either for the full year or from/to their appointment/termination date where a fund manager was not appointed for the full year. Actual voting statistics may differ to those shown above due to investment manager appointments and/or terminations throughout the year.

2 – Votes considered to be most significant by the Trustee

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	Amazon.com, Inc.	Exxon Mobil Corporation	Microsoft Corporation	BP Plc	Mitsubishi Corp.
Date of vote	05/25/2022	05/25/2022	13/12/2022	05/12/2022	24/06/2022
Summary of the resolution	Report on Efforts to Reduce Plastic Use (shareholder proposal)	Report on Scenario Analysis Consistent with International Energy Agency's Net Zero by 2050	Shareholder Proposal Regarding Managing Climate Risk in Employee Retirement Options	Approve Net Zero - From Ambition to Action Report	Amend Articles to Disclose Greenhouse Gas Emission Reduction Targets Aligned with Goals of Paris Agreement
How the investment manager voted	For (against management recommendation)	For (against management recommendation)	For	For	For
Rationale for the voting decision	Shareholders would benefit from additional information on how the company is managing risks related to the creation of plastic waste.	Shareholders would benefit from greater disclosure about the company's risk of stranded assets, given its planned spending plan and business strategy.	This is an important question and an issue that companies can and should be more focused on and can lead to more resilient and better returning retirement savings, and warrants shareholder support.	Climate change: A vote FOR is applied, though not without reservations. While we note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, the manager expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is our view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened.	Shareholder Resolution - Climate change: A vote in favour is applied as the manager expects companies to be taking sufficient action on the key issue of climate change.
Outcome of the vote	Was Rejected	Was Supported	Was Rejected	Was Supported	Was Rejected

Action as a result of the outcome	The manager plans to raise their concern with the company and will likely vote against such a proposal should there be no improvements.	The manager plans to raise their concern with the company and will likely vote against such a proposal should there be no improvements.	Ongoing monitoring of the company.	The manager will continue to engage with the company on climate-related matters.	The manager will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Why this was deemed most significant?	The Trustee regards climate change as a one of several significant risks to the Scheme.	The Trustee regards climate change as a one of several significant risks to the Scheme.	The Trustee regards climate change as a one of several significant risks to the Scheme.	The Trustee regards climate change as a one of several significant risks to the Scheme.	The Trustee regards climate change as a one of several significant risks to the Scheme.

The data has been sourced via the underlying investment managers, appointed by the Trustee, using the PLSA voting template.