Lloyd's Register Superannuation Fund Association (LRSFA)

Trustee's Report and Financial Statements for the Year
1 April 2017 to 31 March 2018

LRSFA the Pensions Regulator registration number: 100145126

Lloyd's Register

INTRODUCTION

Welcome to the 2018 Trustee's Report and Financial statements. The cost of providing for Pensions continues to be high, driven by the continuing low interest rates. We completed, during the year, implementing the new investment strategy in the Defined Benefit funds. This has reduced the exposure to the more volatile equity markets, investing in more predictable fixed interest assets and hedging the part of the exposure to interest rates and inflation. Currently around only 18% of the assets are exposed to the equity market. We have hedged the interest rate and inflation risk for around 94% of the liabilities, which attempts to neutralise the effect of interest rate and inflation movements on the value placed on the liabilities.

The Trustee is working, in consultation with the Company, to explore further de-risking the LRSFA.

When we had finished the formal actuarial triennial valuation as at March 2016, the deficit was estimated to be £81m. The estimated funding level at March 2018 was £59m.

The Defined Benefit assets overall returned over 4.6%. This was in excess of the benchmark of 3.5% set by the Trustee, whilst the Defined Contribution section of the Fund saw assets grow by over 6.7% to £158.8m at the end of the year.

Last year I reported on the service problems with our DC administrator and as a result this year the Trustee and the Employer embarked on a thorough review and as a result undertook a tender exercise to determine whether we should move to a new DC administrator. Following the tender exercise it was concluded that we should move to Standard Life. It was agreed that such a transition will benefit members with the new provider providing more robust administration, lower investment related charges as well a better communications package. Group Pensions are currently working hard on the transition exercise to Standard Life and you will hear more shortly with regards to the new service. The Group Pensions department is to be thanked for their continued efforts to provide members with an improved level of service for the future.

I can assure you that the Trustee and Group Pensions will continue to monitor the performance of both of the outsourced service providers for defined contribution and defined benefit sections so that members will enjoy a high quality service.

I would like to thank the Group Pensions team for the support they have given the membership and the Trustee during the year. I would also like to thank the members of the Trustee Board who have worked on ensuring your interests are looked after.

Nicholas Godden
Chairman to the Board of the Trustee
Lloyd's Register Superannuation Trustees Limited

Group Pensions Department
Lloyd's Register Group Services Limited
71 Fenchurch Street
London EC3M 4BS
group.pensions@lr.org

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Appendix 1

Statement of Investment Principles

1. Trustee

Lloyd's Register Superannuation Trustees Limited
71 Fenchurch Street
London
EC3M 4BS

2. Secretary of the Fund

Mrs E Thomas

3. Sponsoring Employer

Lloyd's Register Group Ltd
71 Fenchurch Street
London
EC3M 4BS

4. Advisers to the Fund

Actuary	Mr David Jones – Lane Clark & Peacock LLP
Auditor	Crowe U.K. LLP (Formerly Crowe Clark Whitehill LLP)
Investment Managers	Alcentra Apollo Investment Barings Legal and General Investment Management Ltd M&G Investments Partners Group PIMCO Schroders Standard Life Investments
Legal Adviser	Hogan Lovells International LLP
Investment Adviser	KPMG LLP – For both the DB and DC sections
DB Administrator	Group Pensions Department (In house administrators) – Ceased July 2017 XPS Administration – Appointed August 2017
DC Administrator & Investment Manager	Aviva (Formerly Friends Life)

5. Custodian

BNY Mellon

6. Bank

National Westminster Bank PLC
Barclays Bank PLC - Appointed September 2017

7. The Trustee of the Fund

Lloyd's Register Superannuation Trustees Limited is a company whose sole function is to act as Trustee of the Fund. The Directors of the company act as Trustees of the Fund. All enquiries regarding the Fund should be addressed to the Secretary at the address of the Trustee shown above.

8. The Directors of the Company (Trustees)

Mr N Godden		]	Chairman
Mr S Nice		]	Nominated by
Ms M Elkin		]	Lloyd's Register Group Ltd
Mrs R Berry		]	
Mr C Clarke	(Resigned 15 September 2017)	]	
Mr J Kleinot	(From 15 September 2017)	]	
Mr C Colby-Blake	(Re-elected 20 December 2017)	]	
Mr D Cronin		]	Member Nominated Trustees
Mrs R Willson		]	(elected by the Fund members)

Trustees are appointed in accordance with Article 71 of the Articles of Association of the Company and are removed or may resign in accordance with Article 74. Trustees nominated by Lloyd's Register Group Ltd may be removed or replaced by Lloyd's Register Group Ltd. Member Nominated Trustees are subject to election by the members at Annual General Meetings. They are elected to serve for a period of three years and retire annually in rotation.

The Trustees shall have the power to remove any Trustee from office (by whoever they were appointed, either the members or the employer). The same powers will apply to appoint a replacement Trustee who ceases to be a Trustee for any reason.

There were four Trustee Board meetings held throughout the year as scheduled. Each Trustee Director has one vote and a decision may be carried by a simple majority. In the event of a tie, the Chairman will have the casting vote. The Trustee Board has delegated some of its responsibility to sub committees. The Defined Benefit and Defined Contribution Investment subcommittees convened four times in the year. The Discretions subcommittee convened monthly.

9. Changes to the Directors of the Trustee Company

Mr C Clarke stood down as an Employer Nominated Trustee and was replaced by Mr J Kleinot.

In accordance with Rule D24 an election was held at the Annual General Meeting (AGM) on 20 December 2017, as the longest standing Member Nominated Trustee Director Mr C Colby-Blake stood down. Mr C Colby-Blake re-stood for the election and as was re-elected at a vote held at the AGM.

10. Changes to the Advisers to the Fund

There were no changes to advisers during the year.

11. Changes to the Investment Managers

There were no Investment Manager changes during the year.

12. Post year end events

There were no post year events requiring disclosure.

13. Custodial arrangements

The Fund's assets are held by BNY Mellon. The custodian is responsible for the safe keeping of share certificates and other documents relating to the ownership of listed investments.

The Trustee is responsible for ensuring that the Fund's assets continue to be held securely. They review the custodian arrangements from time to time and the Fund's auditor is authorised to make whatever investigations deemed necessary as part of the annual audit procedures.

14. Taxation Status

The Fund is registered under Chapter 2 of Part 4 of Finance Act 2004. The Defined Benefit Section of the Fund was contracted out of the State Second Pension (S2P) until that Section of the Fund closed to future accrual on 30 September 2010. The Trustee knows of no reason why this status may be prejudiced or withdrawn.

15. The Pensions Advisory Service and the Pensions Ombudsman

If Fund members have any queries concerning their benefits they should contact the Secretary of the Fund at the Trustee address shown on page 4.

You have the right to refer your complaint to The Pensions Ombudsman free of charge.

The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.
Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) you are complaining about happened – or, if later, within three years of when you first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at

10 South Colonnade
Canary Wharf
E14 4PU
0800 917 4487
enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

You can also submit a complaint form online: www.pensions-ombudsman.org.uk/our-service/make-a-complaint

If you have general requests for information or guidance concerning your pension arrangements contact:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB
0300 123 1047
www.pensionsadvisoryservice.org.uk

16. The Pensions Regulator

The Pensions Regulator (TPR) can intervene if it considers that a Fund's Trustees, advisers, or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House
Trafalgar Place
Brighton
BN1 4DW

www.thepensionsregulator.gov.uk/

The Fund's registration number with TPR is: 100145126

17. Pensions Scheme Act 1993

The Act sets out requirements for disclosure of information to members past, present and prospective, their spouses and beneficiaries and recognised trade unions, and provides for an Annual Report to be issued.

The Rules of the Fund are held in the Group Pensions Department, London and are available for inspection. A Guide to the Rules of the Fund has also been issued to every member on joining.

18. Market Value of the Fund

At 31 March 2018 the value of the Fund was £1,154m an increase of £24m since 31 March 2017. Details are shown in the audited Financial Statements included in this report.

19. Membership of the Fund

Changes in membership of the Fund over the year were as follows.

Members in Service:		2018	2017
	At 1 April 2017 *	1669	1837
Less	Retirements, Deaths, Leavers, Refunds & Adjustments	260	361
Add	New Members	207	193
	At 31 March 2018*	**1616**	**1669**
Net increase/(decrease)		(53)	(168)

Pensions Payable to Retired Staff:			
	At 1 April 2017	1,666	1623
Less	Deaths	52	49
Add	Retirements, Prior year adjustments	70	92
	At 31 March 2018	**1684**	**1666**
Net increase/(decrease)		18	43

Pensions Payable to Dependants:			
	At 1 April 2017	495	487
Less	Deaths	39	23
Add	New Widows/Widowers	26	31
	At 31 March 2018	**482**	**495**
Net increase/(decrease)		(13)	8

Members with a Deferred Pension/Protected Rights Funds:			
	At 1 April 2017**	3087	2912
Less	Deaths, Transfers, Pension Commencement etc.	126	115
Add	Leavers, Prior year corrections	224	290
	At 31 March 2018**	**3185**	**3087**
Net increase/(decrease)		98	175

In addition allowances were paid to 13 children (2017: 13).

*Members in service includes 296 (2017: 328) members who have protected past service rights under the fund following the closure of the DB Section in 2010.

** Deferred members includes 2,113 (2017: 2,170) members who have protected past service rights under the fund following the closure of the DB Section in 2010.

Eligibility

Employees joining a sponsoring employer after 1 April 2003 are eligible to join the Defined Contribution Section of the Lloyd's Register Superannuation Fund Association.

Following the closure of the Defined Benefit Section to future accrual on 30 September 2010 the option to join the Defined Benefit Section after eight years of membership of the Fund ceased.

20. Pension Reviews

Pensions in payment that contained an element deriving from Post 6 April 1997 service was increased by 3.9% from 1st April 2018 (2017: 2%) Guaranteed Minimum Pension (GMP) earned after 1988 increased in line with inflation up to a maximum of 3%. GMP relates to service accrued from April 1978 to April 1997, when the contracting out arrangements were changed and GMP ceased to apply, contracting out ceased on 6 April 2016. There were no discretionary increases awarded in the year for Pre 6 April 1997 service elements in excess of GMP.

21. Additional Voluntary Contributions (AVCs)

Standard Life and Aviva are the two current AVC providers made available to members by the Trustee. The Equitable Life with-profits fund is closed to new members.

Members are kept informed of developments regarding Equitable Life, Standard Life and Aviva.

A total of 205 (2017: 225) members were making AVCs at 31 March 2018, representing 12.98% (2017: 13.48%) of the membership.

Members requiring further information or details of the AVC Funds and providers should contact the Group Pensions Department.

22. Transfers to and from the Fund

The Rules permit the acceptance of transfer payments from, and the payment of transfer values to, other registered pension arrangements. However the Trustee is not obliged to accept transfers into the Fund.

The calculation of transfer values and the additional benefits that a transfer payment will provide are based on factors supplied by the Actuary. Cash equivalent and guaranteed cash equivalent transfer values (within the meaning of Chapter IV of Part IV of the Pension Schemes Act 1993) paid during the year were calculated and verified in the manner prescribed by regulations made under Section 97 or Section 101 of that Act.

Since 23 September 2004 transfers received from other registered pension arrangements have been invested in the Defined Contribution Section. Service Credits are no longer provided.

Until 30 September 2010 the accrued AVC funds of retiring members who wished to purchase additional pension in the Fund could be transferred to the Lloyd's Register Superannuation Fund Association (LRSFA) by Equitable Life and Standard Life on the member's retirement. The amount of additional pension so purchased was determined using factors supplied by the Actuary. After 30 September 2010 AVC and DC funds can be used as part of any lump sum taken or alternatively to purchase a product on the open market. Please note any excess fund used within the Fund must be used to purchase an annuity.

Transfer values applicable to DB benefits fully reflect the value of the member's accrued benefit rights. They no longer take into account discretionary pension increases which might be payable in the future.

The current transfer value basis makes an allowance for a lump sum payment up to £5,000 on member's death.

In certain circumstances the Fund will accept payments from Lloyd's Register Group Ltd to augment the pension benefits of members. The additional benefits are determined using factors supplied by the Actuary.

23. Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent a prudent estimate of the amount of assets needed to provide the benefits that members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2016. This showed that, in the Defined Benefit Section of the Scheme, on that date:

- The value of the Technical Provisions was: £931 million
- The value of the assets at that date was: £850 million
- The value of the deficit was: £81 million

As a result, both Lloyd's Register Group Ltd and the Trustee, in conjunction with advice from the Scheme Actuary, agreed the following measures, effective from April 2016:

(a) Escrow Account

Lloyd's Register Group Ltd established an Escrow Account in 2011. The Escrow Account is held separately from the assets of both Lloyd's Register Group Ltd and the Fund. The Escrow Account assets provide security to the Fund in the event of Lloyd's Register Group Ltd becoming insolvent and a source of deficit reduction contributions. Since 2011 there have been payments out of the Escrow to both the LRSFA and Lloyd's Register Group as per the schedule of contributions. The current value of the Escrow stands at £77.3m (2017: £84.7m)

(b) Past service deficit recovery plan:

From the Escrow, established by deed agreed between the Company and Trustee dated 29 June 2011 or any successor escrow:

- On or before 31 March each year from 2017 to 2026 inclusive : £6.03 million per annum
- On or before 31 March 2018 : £0.7 million
- On or before 31 March each year from 2018 to 2020 inclusive : £2.1 million per annum

(c) Future service contribution rates and expenses:

- The Defined Benefit Section of the LRSFA was closed to future accrual on 30 September 2010. Contributions are paid equal to the premiums for the life insurance policy.
- Contributions of £0.8m a year, payable monthly as an allowance towards the LRSFA's operating expenses. Should the operating expenses exceed or be forecast to exceed £0.8m in any given year ended 31 March then the Trustee and the Company will agree jointly how the operational expenses in excess of £0.8m will be paid
- In addition the Employer pays a contribution of 0.6% of members' pensionable salaries to cover the 'soft landing' benefits applicable to certain members of the Fund.

(d) Deed of Gift

Lloyd's Register Group Ltd established a Deed of Gift with Lloyd's Register Foundation in 2013 in which a promise was given to the LRSFA, that should Lloyd's Register Group Ltd become insolvent, Lloyd's Register Foundation will gift LRFSA £100m. The agreement was in place until 1 July 2017 and has since been extended until 1 July 2020.

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

Method

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount interest rate: term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 2% per annum pre-retirement and 1% post retirement. In addition an additional reserve of £46m as at 31 March 2016 is held to fund potential de-risking (and/or to provide a margin against any adverse experience that may arise).

Future Retail Price inflation: term dependent rates derived from the gilt market with an average rate of 3.2% per annum.
Future Consumer Price inflation: assumed to be equal to future retail price inflation less an adjustment of 0.9% per annum.
Pension increases in payment: Pension accrued after 5 April 1997 is subject to a minimum rate of increase equal to the annual rise in the Retail Prices Index (RPI) capped at 5% per annum; these increases are assumed to be at the rate of 3.2% per annum. No allowance is made for future discretionary increases.
Mortality: standard tables S2NA with a scaling factor of 95% projected from 2007 in line with the CMI 2015 core projections with a long-term annual rate of improvement of 1.5%.

24. Financial Statements & Contributions

Financial Statements

The Financial Statements in this report have been prepared and audited in accordance with regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

Contributions

During the year ended 31 March 2018 contributions were paid to the Fund in accordance with the rates set down in the Schedules of Contributions certified by the Actuary on 26 September 2014, which came in to effect from 1 October 2014 and the Schedules of Contributions certified by the Actuary on 30 June 2017, which came in to effect from 1 July 2017.

25. Investment Review

General overview

It will be appreciated that although investments are shown in this report at their year-end market value, their value will change from time to time as market conditions alter. The financial well-being of the Fund depends not so much on the current market value of the assets but on the income derived from those assets and whether those assets are likely to be sufficient to meet the Fund's liabilities.

Investment managers

As at 31 March 2018 the investments of the Defined Benefit Section were managed as follows:-

Manager	Investments Managed	31/03/2017 (% of Total Portfolio Managed)	31/03/2018 (Actual% of Total Portfolio Managed)	31/03/2018 (Expected% of Total Portfolio Managed)	31/03/2018 (Expected % range of asset portfolio
Alcentra*	Direct Lending	4.5	7.9	12	16-24
Partners Group	Direct Lending	7.2	7.3	8	
Barings	Collateralised Loan Obligations	10.5	10.4	12	10-14
L&G	Passive World Equity	22.1	18.6	16	12-20
M&G Alpha	Diversified Credit	5.0	5	7	11-15
PIMCO*	Diversified Credit	10.6	9.3	6	
Standard Life	Active UK Credit	7.4	7.4	7	5-9
Schroders	Liability Driven Investments	23.6	25.3	22	19-25

*As the capital commitment with Alcentra has not fully been realised, the expected percentage of total managed is greater than actual. Holdings from PIMCO will be used to meet this commitment. Once complete the percentage will be aligned to their expected holdings.

Other investment decisions

The Trustees agreed to increase the amount of interest rate and inflation exposure borne from the Fund's Technical Provisions valued liabilities from 65% to 94%. To fund this arrangement £33m was released from excess holding of cash and £25m disinvestment from LGIM world equity index. In March 2018 the Fund received payment from LR's Escrow account of £8.83m (2017: £6.03m) which was placed into the Funds National Westminster bank account.

All investment business is conducted in accordance with the Statement of Investment Principles prepared in accordance with Section 35 of the Pensions Act 1995 which includes the Trustee's investment policy on social, environmental and ethical investment considerations. The Trustee agreed that funds must be invested to obtain the best possible return for members, subject to an appropriate level of risk. Trustee policy regarding social, environmental and ethical investment issues is therefore that the extent to which these issues are taken into account in investment decisions is left to the discretion of the active investment managers. The Trustee does not consider it appropriate for the passive investment manager to take account of such issues in the selection, retention and realisation of investments.

The Trustee encourages the Scheme's investment managers to discharge their responsibilities in respect of investee companies in accordance to the Stewardship Code published by the Financial Reporting Council The Trustee will review the corporate governance policies of the Scheme's investment managers periodically.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee has reviewed and has accepted the investment manager's policies in respect of the exercising of rights attaching to investments and periodically reviews the actions taken by the investment managers in this regard to ensure that it continues to be comfortable with them.

A copy of the Statement of Investment Principles is attached to this document at appendix 1.

The Investment Sub Committee (IC) is made up of members of the Board of the Trustee. There is a minimum of three Board members on the Investment Sub Committee, with at least two being employer nominated. They are appointed by the Trustee. Investment performance is measured through participation in the service operated by BNY Mellon.

There were no employer related investments within the meaning of Section 40(2) of the Pensions Act 1995.

Performance – Defined Benefit Section

The investment managers have specific performance benchmarks. The Fund's performance against these benchmarks for the year ended 31 March 2018 was:-

Manager	Benchmark Return %	LRSFA Return %	Difference %
Equity Managers			
LGIM Ltd - World Markets	2.5	2.6	0.1
Fixed Income Managers			
M&G Alpha	0.4	2.9	2.5
PIMCO - Diversified Credit	2.1	2.9	0.8
Standard Life - UK Corporate Bonds	1.2	1.5	0.3
Alternative Managers			
Alcentra – Direct Lending	0.4	8.7	8.3
Apollo – Semi-Liquid Credit	0.4	3.2	2.8
Barings (Babson) – Collateralised Loan Obligations	0.4	2.8	2.4
Partners Group – Direct Lending	0.4	6.7	6.3
Schroders – Liability Driven Investments	2.9	3.0	0.1

Notes:

A small amount of holdings remained as at 31 March 2018 in Rogge, Liongate, Baillie Gifford, HG Capital & Brandes. These are in the process of being closed and any remaining assets will be transitioned into cash.

During the year to March 2018, the Trustee continued to implement a strategy for investment of the Defined Benefit assets. This involves significantly reducing equity holdings and increasing holdings of fixed interest assets with more contractual returns. Simultaneously the Trustee implemented an LDI (Liability Driven Investments) hedging program, with the objective to neutralise the effect of changes in interest rates and expected inflation on the value of the scheme liabilities.

The assets of LRSFA's Defined Benefit Fund's investment performed well during the year, with the return remaining ahead of inflation. All managers met or exceeded their benchmark, with the funds credit managers adding value materially above their benchmarks.

Aggregate Performance over	1 year %	3 years %	5 years %
Fund	4.6	7.4	8.8
Benchmark	3.5	4.5	6.1

This table details the aggregate performance of the Fund against benchmark over 1, 3 and 5 years. These are annualised rates of return.

Performance – Defined Contribution Section

The Defined Contribution Section is administered by Aviva. Members currently have a choice of investment funds from the Aviva portfolio or may choose a Lifestyle Option.

The value of DC assets for members in this section held within these funds at 31 March 2018 is as follows:-

Fund Name	Current Value	Allocation %	Performance 1 Year %	Performance 3 Year %
Adventurous	£114,432,967	72.46	1.3	5.2
Fixed Income	£14,714,530	9.32	0.3	5.9
Standard Life Global Absolute Return Strategies	£12,564,487	7.96	0	-1.5
BlackRock Market Advantage	£2,775,100	1.76	3.5	3.2
BlackRock Cash	£2,592,299	1.64	0.2	0.2
BlackRock (50:50) Global Equity Index	£2,209,555	1.40	2.3	7.9
BlackRock Over 5 Year Index Linked Gilt	£2,069,871	1.31	-0.1	7.3
Global Equity - Active	£1,880,336	1.19	-0.8	4.7
Emerging Markets Equity - Active	£756,349	0.48	1.4	8.7
Blackrock UK Equity Index	£711,038	0.45	1.8	5.7
Sustainable Investments	£684,098	0.43	2.8	7.8
Property	£637,752	0.40	2.3	5.8
Blackrock 30:70 Currency Hedged Global Equity Index	£612,453	0.39	7.1	7.1
Moderate	£592,006	0.37	1.5	5.2
Pre-Retirement	£224,889	0.14	-0.3	5.4
Blackrock Over 15 Year Corporate Bond Index	£188,374	0.12	1.3	4.9
BlackRock Over 15 Year Gilt Index (Aquila C) IE	£164,461	0.10	1.7	5.8
Lloyds Register Diversified Growth	£114,927	0.07	3.7	2.4
	£157,925,492	100.00		

The Lifestyle Option involves an investment process, under which contributions are invested initially in funds with the objective of providing long term growth (such as equity index funds), moving to funds with lower potential volatility and pension conversion risk (such as bond index funds and money market funds) as members approach retirement.

The default investment strategy has been set up to seek better protection for member savings against a wider range of risks as they approach retirement, no matter how and when members plan to take their savings. The switching period now starts from 20 years out from selected retirement age. The new default is called Flexible Retirement Strategy. More information can be found on the Pensions website www.lrpensionport.co.uk. As at 31 March 2018, 95.7% (2017: 95.6%) of Defined Contribution Section members were invested using the Lifestyle Option.

The Investment Committee monitors the performance of the funds provided by Aviva with the assistance of KPMG.

The administrative expenses associated with the operation of the Defined Contribution Section are incurred in the Annual Management Charge levied on the funds above.

26. Distribution of the Fund

At 31 March 2018 the balance of the assets of the Defined Benefit Section at market value was:

Asset Class	% of portfolio
Bonds and Equities	24.47
Pooled Investment Vehicles	73.82
Cash on Deposit	0.49
AVC Investments	1.22
	100.00

The investments with a value of 5% or over of the net assets at 31 March 2018:

Investments	Market Value £000's	% of Net Assets
Schroders	247,353	25.22%
L&G World Equity	184,994	18.86%
Babson	101,787	10.38%
Pimco	90,413	9.22%
Apollo	84,982	8.66%
Alcentra	78,399	7.99%
Standard Life	72,426	7.38%
Partners	70,864	7.22%
M&G Alpha	49,047	5.00%

27. Administrative expenses

The Fund made a payment of £316k (2017: £468k) to Lloyd's Register Group Ltd towards reimbursement of the expenses of administering the Fund.

Approved on ..04..October 2018 on behalf of the Trustee by:

[Signature redacted]

....
Director
Lloyd's Register Superannuation Trustees Limited

[Signature redacted]

....
Director
Lloyd's Register Superannuation Trustees Limited

3285281

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Lloyd's Register Superannuation Fund Association
Schedule of Contributions

This Schedule of Contributions has been prepared in accordance with Part 3 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations (SI 2005/3377). It has been agreed between Lloyd's Register Superannuation Trustees Limited, the Trustee of Lloyd's Register Superannuation Fund Association ("the LRSFA"), and Lloyd's Register Group Limited ("LR") on behalf of itself and the other participating employers, as indicated below by authorised signatories.

This Schedule sets out the contributions payable to the LRSFA over the period ending 31 March 2026. It also shows the contributions that are payable to the LRSFA between the effective date of the valuation and the date that the Actuary certifies the Schedule.

1. Contributions payable to individual Member Accounts in the Money Purchase Section

1.1 Ordinary Contributions and Ordinary Employer Contributions, as defined in the Rules, payable monthly:

Contribution rate selected by the member	Contributions by Members (% of Basic Salaries)		Contributions by Employers (% of Basic Salaries)	
	Salary sacrifice members	Non-salary sacrifice members	Salary sacrifice members	Non-salary sacrifice members
3%	nil	3%	13%	10%
4%	nil	4%	15%	11%
5%	nil	5%	17%	12%
6%	nil	6%	19%	13%
7%	nil	7%	21%	14%
8%	nil	8%	23%	15%

Note: Certain Members who encounter Lifetime Allowance or Annual Allowance issues can apply to the employer to receive a pension cash allowance in respect of some or all of their Ordinary Contributions and/or Ordinary Employer Contributions in line with the Pension Cash Allowance Policy dated 8 January 2016 as subsequently amended.

1.2 Additional voluntary contributions payable by, or on behalf of, the Members.

1.3 On a Member's death-in-service or on leaving service because of incapacity, the Basic Salary Top-up or if less the Maximum Allowance Top-up to be credited to the individual Member Account in accordance with the Rules payable by LR, to the extent that the allowance is not met from the General Account.

2. Regular contributions payable by the participating employers to the LRSFA

Contributions from the employers	
Life insurance	Contributions equal to the premiums for the life insurance policy providing cover of 4 times Basic Salary paid on the death of an Active Member in accordance with the Rules. These contributions are payable as and when the premiums fall due.
"Soft Landing" benefits	0.6% of Basic Salaries of Active Members party to a Relevant Agreement (as defined in the Rules) payable monthly to meet the funding cost of benefits payable in accordance with C3.1.4(b) or C3.1.5(b) of the Rules.
Operational Expenses	Contributions of £0.8m pa payable monthly as an allowance towards the LRSFA's operating expenses. Should the operational expenses exceed or be forecast to exceed £0.8m in any given year ended 31 March, then the Trustee and LR will agree jointly how the operational expenses in excess of £0.8m will be paid.
"Divergence 1" rectification costs associated with corrections made to benefits in 2016	£0.7m as soon as practicable and by no later than 31 March 2018, and £2.1m pa on or before 31 March each year from 2018 until 2020 inclusive, payable from the Escrow established by deed between LR and the Trustee dated 29 June 2011 or any successor Escrow agreement.
Principal Employer's Guarantee (D11.9)	The Principal Employer shall make good any amounts due under clause D11.9 in such manner as is agreed between the Principal Employer and the Trustee.
PPF levies	Contributions equal to Pension Protection Fund ("PPF") levies invoiced to the LRSFA. The contributions are payable as and when the PPF levies are due unless LR settles the levies directly.
Other contributions	Additional contributions as may be required under the Trust Deed, or agreed between LR and the Trustee in specific circumstances, for example to cover augmentations. LR and the Trustee have agreed in principle that the rectification costs associated with correcting divergence between the administration practice and the benefits payable under the Rules will be met through a special payment or payments from the Escrow established by deed between LR and the Trustee dated 29 June 2011 or any successor Escrow agreement. These contributions are due at the time agreed between LR and the Trustee in each case.

3. Deficit contributions

On or before 31 March each year from 2017 to 2026 inclusive: £6.03 million per annum.

The deficit contributions are payable from the Escrow established by deed agreed between LR and the Trustee dates 29 June 2011 or any successor escrow agreement. In the event that there were insufficient assets in the Escrow, the deficit contributions would be payable by LR.

4. Timing of contributions

Member contributions will be remitted to the Trustee and credited to each Member's Account no later than the 19th of each month after that in which contributions are deducted from earnings. Contributions from the Employer will, unless specified to the contrary, be due monthly and payable no later than the 19th of each month after the month to which they relate.

LR will pay any additional contributions as decided by the Trustee, on the advice of the Actuary and in accordance with the Rules, to meet any benefit augmentations including discretionary increases agreed with LR. Such contributions will be paid within 19 days of the due date notified by the Trustee.

This Schedule of Contributions is dated 30 June 2017. It replaces the Schedule of Contributions dated 26 September 2014 with effect from the date of certification.

This Schedule of Contributions is agreed:

on behalf of the Trustee of the LRSFA

Signature: [Signature redacted] authorised signatory

Name:

Position: TRUSTEE DIRECTOR

on behalf Lloyd's Register Group Limited and the other participating employers

Signature: [Signature redacted] authorised signatory

Name:

Position: CFO

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Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: Lloyd's Register Superannuation Fund Association

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 30 June 2017.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 30 June 2017.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature: [Signature redacted] **Date:** 30 June 2017

Name:

Qualification: FIA

Address: 95 Wigmore Street
London W1U 1DQ

Employer: Lane Clark & Peacock LLP

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Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "can be expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the Trustee's funding assumptions as set out in the statement of funding principles dated 30 June 2017 and their Recovery Plan dated 30 June 2017 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

Lloyd's Register Superannuation Fund Association
Recovery plan

The actuarial valuation of the Lloyd's Register Superannuation Fund Association ("the LRSFA") as at 31 March 2016 revealed a deficit of £81m. In accordance with Section 226 of the Pensions Act 2004, the Trustee of the LRSFA has prepared this recovery plan, after obtaining the advice of David Jones, the Scheme Actuary.

1. Steps to be taken to ensure that the statutory funding objective is met

The Trustee has agreed the provisions of this recovery plan with Lloyd's Register Group Limited ("LR") on behalf of itself and the other participating employers. It has been agreed to eliminate the funding deficit by the payment of the following contributions.

Deficit contributions to be made to the LRSFA

Amount £m	Payment due dates
6.03	By 31 March 2017 (paid)
6.03	On or before 31 March each year from 2018 to 2026 inclusive
Additional contributions due in respect of "Divergence 1" rectification exercise:	
0.7	As soon as practicable and by 31 March 2018
2.1	On or before 31 March each year from 2018 to 2020 inclusive

These contributions are payable from the Escrow established by deed agreed between LR and the Trustee dated 29 June 2011 or any successor escrow arrangement. In the event that there were insufficient assets in the Escrow, the deficit contributions would be payable by LR.

2. Period in which the statutory funding objective should be met

The deficit is expected to be eliminated by 31 March 2026. This is based on the following assumptions:

- Technical provisions are calculated according to the method and assumptions set out in the Scheme's Statement of Funding Principles dated 30 June 2017.
- The return on existing assets and new contributions during the period are as adopted for the calculation of the technical provisions including the additional investment de-risking reserve plus an additional return of 0.3% pa.

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3. Agreement by the Trustee and the participating employers

This recovery plan was prepared on 30 June 2017 and replaces the previous recovery plan dated 26 September 2014.

Signed on behalf of the Trustee of the LRSFA

Signature: [Signature redacted]

Name: ....

Position: TRUSTEE DIRECTOR

Agreed on behalf of Lloyd's Register Group Limited and the other participating employers

Signature: [Signature redacted]

Name: ....

Position: CFO

28. Statement of the Trustee's responsibilities in respect of the Financial Statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension fund 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 Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including 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 preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will not be wound up.

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

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

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund 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 Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

29. Independent auditor's report to the Trustee of the Lloyd's Register Superannuation Fund Association

Opinion

We have audited the financial statements of Lloyd's Register Superannuation Fund Association for the year ended 31 March 2018 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2018, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 trustees

As explained more fully in the Statement of Trustee's Responsibilities set out on page 22, the Trustee is responsible for the preparation of the financial statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determine 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 Fund'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 intend to wind up the Fund or have 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 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

[Signature redacted]

Crowe U.K. LLP
Statutory Auditor
London

Date 11.10.18

Fund Account for the year ended 31 March 2018

	Notes	DB Section 31.03.18 £'000	DC Section 31.03.18 £'000	Total 31.03.18 £'000	Total 31.03.17 £'000
Contributions and benefits					
Employer contributions	3	10,553	14,816	25,388	23,091
Employee contributions	3	84	1,485	1,569	2,607
Total contributions		**10,637**	**16,301**	**26,938**	**25,698**
Transfers in		0	310	310	0
Other Income		0	92	92	0
		10,637	**16,703**	**27,340**	**25,698**
Benefits paid or payable	4	(33,764)	(2,435)	(36,199)	(40,192)
Payments to and on account of leavers	5	(8,024)	(5,098)	(13,122)	(9,570)
Administrative expenses	7	(1,725)	(232)	(1,957)	(1,870)
Other payments	6	(435)	0	(435)	(454)
		(43,948)	**(7,765)**	**(51,713)**	**(52,086)**
Net (withdrawals)/additions from dealings with members		**(33,311)**	**8,938**	**(24,373)**	**(26,388)**
Returns on investments					
Investment income	8	17,186	0	17,186	6,756
Change in market value of investments	11	30,300	2,310	32,610	174,088
Investments manager expenses	9	(524)	(727)	(1,251)	(493)
Net return on investments		**46,962**	**1,583**	**48,545**	**180,351**
Net increase/(decrease) in the fund during the year		**13,651**	**10,521**	**24,172**	**153,963**
Transfer between sections	*	81	(81)	0	0
Net assets of the Fund at 1 April		981,548	148,355	1,129,903	975,940
Net assets of the Fund at 31 March		**995,280**	**158,795**	**1,154,075**	**1,129,903**

*Included within the transfer between sections are benefits due to be paid to members, where a combined benefit for both sections will be paid from the DB section, and administrative expenses charged through the DB section being presented within the DC section.

Statement of Net Assets as at 31 March 2018 (available for benefits)

DEFINED BENEFIT SECTION (DB)	Notes	2018 £'000	2017 £'000
Return Seeking Strategy			
Investment assets			
Equities	11	4	0
Pooled investment vehicles	13	730,090	737,886
Other investment balances	11	2,914	2,209
Total Net Return Seeking Strategy Investments		**733,008**	**740,095**
Liability Matching Strategy			
Investment assets			
Bonds	11	999,122	636,587
Cash	11	12,018	6,591
		1,011,140	**643,178**
Investment liabilities			
Derivatives	14	(762,464)	(415,180)
Total Net Liability Matching Strategy Investments		**248,676**	**227,998**
AVC investments	15	4,874	5,088
Total Net Investments		**986,558**	**973,181**
Current assets	19	9,762	12,266
Current liabilities	20	(1,040)	(3,899)
Total Net Assets of DB Section		**995,280**	**981,548**
DEFINED CONTRIBUTION SECTION (DC)			
Pooled investment vehicles	16	157,925	146,948
AVC investments	16	956	1,037
Cash		0	370
Total Net Investments		**158,881**	**148,355**
Current assets	19	372	280
Current liabilities	20	(458)	(280)
Total Net Assets of DC Section		**158,795**	**148,355**
Total Net Assets as at 31 March		**1,154,075**	**1,129,903**

The notes on pages 28 to 39 form part of these financial statements.

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take into account such obligations for the defined benefit section, is dealt with in the Report on Actuarial Liabilities on pages 10 and 11 of the Annual Report and these financial statements should be read in conjunction with this report.

Approved on ..04 october 18... on behalf of the Trustee by:

[Signature redacted]

Director
Lloyd's Register Superannuation Trustees Limited

[Signature redacted]

....
Director
Lloyd's Register Superannuation Trustees Limited

Notes to the Financial Statements

1. Basis of Preparation

The financial statements have been prepared on a going concern basis and in accordance with the Occupational Pensions Schemes (Requirement to obtain Audited Financial Statements and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the 2015 Statement of Recommended Practice (SORP).

2. Accounting Policies

Contributions
Contributions of the employers and members are accounted for on an accruals basis.

Individual Transfers
Individual transfers to and from the Fund during the year are included in the Financial Statements when payment is made or received which is when the liability transfers.

Investment Income
Dividends on unlisted securities are accounted for when declared.

Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Benefits payable
Pensions payable are accounted for by reference to the period for which they relate. Refunds and cash lump sums are accounted for either on a cash basis if members can exercise a choice in relation to these benefits or, where members have no choice in relation to these benefits, by reference to the date of retirement or leaving the Fund.

Expenses
Administrative expenses and investment management expenses are accounted for on an accruals basis.

Investments

(i) Investments other than derivatives
Listed securities are valued at bid market values for the year ended 31 March 2018 for the official closing price on the year end date.

Unquoted investments are valued at fair value based on the Fund Manager's advice using an appropriate basis of valuation and relevant market data at the year end date.

Pooled investment vehicles are valued at bid prices at the year end or, if single priced, at the closing single price as provided by the relevant Fund Managers on the last dealing day prior to the balance sheet date.

Investments held in foreign currencies are valued as above and translated into sterling at the relevant spot rates ruling at the balance sheet date.

(ii) Repurchase Agreements

For repurchase agreements, the Fund continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

Functional Currency
All contracts and transactions are made in Sterling (GBP).

Insurance Policies
AVCs invested in insurance policies are valued on the basis of their open market transfer values quoted by the relevant insurance companies as adjusted for additions and withdrawals between the valuation dates.

3. Contributions

		2018		
	Note	DB £'000	DC £'000	Total £'000
Employer contributions				
Normal	i	0	14,568	14,568
Deficit funding	ii	8,830	0	8,830
Additional - operating expenses	iii	800	0	800
Additional - survivors' pension	iv	187	0	187
Other		0	0	0
Bonus Sacrifice	v	0	248	248
PPF Levy	vi	301	0	301
Insurance	vii	435	0	435
		10,553	**14,816**	**25,369**
Member contributions				
Normal	i	0	999	999
Additional voluntary contributions	ii	84	486	570
		84	**1,485**	**1,569**
		10,637	**16,301**	**26,938**

		2017		
	Note	DB £'000	DC £'000	Total £'000
Employer contributions				
Normal	i	0	15,162	15,162
Deficit funding	ii	6,030	0	6,030
Additional - operating expenses	iii	800	0	800
Additional - survivors' pension	iv	215	0	215
Other		3	0	3
Bonus Sacrifice	v	0	0	0
PPF Levy	vi	427	0	427
Insurance	vii	454	0	454
		7,929	**15,162**	**23,091**
Member contributions				
Normal	i	0	1,027	1,027
Additional voluntary contributions	ii	91	1,489	1,580
		91	**2,516**	**2,607**
		8,020	**17,678**	**25,698**

(a) Employer contributions

(i) Amounts received from the employer in accordance with the Schedule of Contributions agreed following the actuarial valuation as at 31 March 2016. The value shown above includes Salary Sacrifice contributions.

(ii) Contributions have been paid to the Fund to offset the past funding shortfall in accordance with the recommendations of the Actuary. Details of this can be found in the Recovery Plan on page 21 and 22.

(iii) With effect from 1 October 2014 an employer contribution rate of £800,000 per annum was set. This is payable monthly as an allowance towards the Fund's operating expenses. Should the actual expenses exceed this amount then the Trustee and LR will agree jointly how the excess will be paid.

(iv) With effect from 1 October 2014 an employer contribution rate of 0.6% of basic salaries of active members was set to meet the cost of the underpin on the survivors' pension payable on the death of an employed member.

(v) Contributions have been paid in respect of the Executive Bonus Waiver Fund.

(vi) The employer is required to pay additional contributions in respect of PPF levies payable by the Fund under the latest Schedule of Contributions.

(vii) Payment made by the employer in respect of life insurance cover for all employed members.

(b) Member contributions

(i) Members' normal contributions (excluding AVCs) are paid at various rates as set out in the Trust Deed and Rules.

(ii) AVCs are paid by members to purchase investments, the value of which determines the benefit to members, and which have been invested separately from the main fund.

The rates, as percentages of pensionable salaries, during the year ended 31 March 2018 were:

DC Contribution Rates			
Non Salary Sacrifice		Salary Sacrifice	
Employee	Employer	Employee	Employer
From 3% to 8%	From 10% to 15%	N/A	From 13% to 23%

Members are able to select a contribution rate of between 3% and 8%. For every extra 1% above the 3% they select the employer will increase its starting contribution of 10% by 1% up to a maximum of 15%.

4. Benefits paid or payable

		2018		
		DB £'000	DC £'000	Total £'000
Pensions		31,943	0	31,943
Commutations of pensions and lump sum retirement benefits	**	1,504	1,710	3,214
Purchase of annuities		60	585	645
Lump sum death benefits		257	140	397
Taxation where lifetime or annual allowance exceeded	*	0	0	0
		33,764	2,435	36,199

		2017		
		DB £'000	DC £'000	Total £'000
Pensions		31,423	0	31,423
Commutations of pensions and lump sum retirement benefits	**	1,079	6,343	7,422
Purchase of annuities		0	936	936
Lump sum death benefits		36	348	384
Taxation where lifetime or annual allowance exceeded	*	27	0	27
		32,565	7,627	40,192

* Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Fund in exchange for the Fund settling the tax liability.

** Of the £1.710m (2017: £6.343m) of commutations for lump sums for DC benefits, £1.456m (2017: £4.856m) related to lump sums paid to members as a part of their DB retirement, using their DC pot to enhance their lump sum.

5. Payments to and on account of leavers

2018

	DB £'000	DC £'000	Total £'000
Refunds of contributions in respect of non-vested leavers	0	72	72
Individual transfers out to other schemes	8,024	5,026	13,050
	8,024	**5,098**	**13,122**

2017

	DB £'000	DC £'000	Total £'000
Refunds of contributions in respect of non-vested leavers	0	165	165
Individual transfers out to other schemes	4,899	4,506	9,405
	4,899	**4,671**	**9,570**

6. Other payments

2018

	DB £'000	DC £'000	Total £'000
Premiums on term insurance policies	435	0	435

2017

	DB £'000	DC £'000	Total £'000
Premiums on term insurance policies	454	0	454

7. Administrative expenses

2018

	DB £'000	DC £'000	Total £'000
Administration and processing	645	92	737
Professional fees	779	140	919
PPF Levy	301	0	301
	1,725	**232**	**1,957**

2017

	DB £'000	DC £'000	Total £'000
Administration and processing	468	21	489
Professional fees	932	0	932
PPF Levy	449	0	449
	1,849	**21**	**1,870**

8. Investment Income

Defined benefit section	2018 £'000	2017 £'000
Dividends from equities	0	12
Income from bonds	5,439	2,831
Income from pooled investments	11,744	3,898
Interest on cash deposits	3	15
	17,186	**6,756**

9. Investment Manager Expenses

2018

	DB £'000	DC £'000	Total £'000
Administration, management and custody - charged	602	727	1,329
Administration, management - rebated	(78)	0	(78)
	524	**727**	**1,251**

	2017		
	DB £'000	DC £'000	Total £'000
Administration, management and custody - charged	570	0	570
Administration, management - rebated	(77)	0	(77)
	493	**0**	**493**

The investment manager expenses presented in the DC section relate to the charges met by members for their investment held with Aviva. These charges were previously shown through the reconciliation of investments (Note 11). The total charge to members in 2017 was £638k.

10. Fair value determination and hierarchy analysis

The investments have been analysed according to the basis on which the fair value has been determined. The basis of the fair value hierarchy is described in more detail below:

Level 1

The fair value is determined using unadjusted quoted prices in active markets for identical investments. The inputs to the valuation are transparent, easy to price and the market is liquid. Examples include exchange traded equities, exchange traded bonds, exchange traded derivatives and exchange traded funds.

Level 2

The fair value uses observable inputs that reflect the assumptions market participants would use in pricing the investment and based on market data obtained from sources independent of the reporting entity. These investments are moderately difficult to price and use some observable inputs. Examples include swaps, bonds valued on an average of broker prices and open ended pooled funds investing in investments that are observable in the market.

Level 3

The fair value inputs are unobservable and reflect the reporting entities own assumptions about the assumptions market participants would use in pricing the investment and based on the best information available. These investments are difficult to price, they lack a liquid market and it is difficult to verify inputs in the valuation. Examples include private equity, property, bespoke over the counter derivatives and closed pooled funds investing in these investments.

The Fund's investments have been analysed using the above hierarchy categories as follows:

	At 31 March 2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Defined Benefit Section				
Bonds	0	999,122	0	999,122
Equities	4	0	0	4
Pooled investment vehicles	0	730,090	0	730,090
Derivatives	0	(762,464)	0	(762,464)
Other investment balance	2,914	0	0	2,914
Cash	12,018	0	0	12,018
	14,936	**966,748**	**0**	**981,684**
AVC investments	**0**	**4,284**	**590**	**4,874**
Defined Contribution Section				
Pooled investment vehicles and AVC	0	158,881	0	158,881
Cash in transit	0	0	0	0
	0	**158,881**	**0**	**158,881**
	14,936	**1,129,913**	**590**	**1,145,439**

	At 31 March 2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Defined Benefit Section				
Bonds	0	636,587	0	636,587
Pooled investment vehicles	0	737,881	5	737,886
Derivatives	0	(415,180)	0	(415,180)
Other investment balance	2,209	0	0	2,209
Cash	6,591	0	0	6,591
	8,800	**959,288**	**5**	**968,093**
AVC investments	**0**	**4,406**	**682**	**5,088**
Defined Contribution Section				
Pooled investment vehicles and AVC	0	147,985	0	147,985
Cash in transit	370	0	0	370
	370	**147,985**	**0**	**148,355**
	9,170	**1,111,679**	**687**	**1,121,536**

11. Reconciliation of investments

	Value at 31.03.17 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31.03.18 £'000
Defined benefit section					
Bonds	636,587	348,909	(1,882)	15,508	999,122
Equities	0	0	0	4	4
Pooled investment vehicles	737,886	125,449	(148,879)	15,634	730,090
Derivative contracts	(415,180)	910,323	(1,257,607)	0	(762,464)
AVC investments	5,088	84	(467)	169	4,874
	964,381	**1,384,765**	**(1,408,835)**	**31,315**	**971,626**
Cash	6,591			31	12,018
Other investment balances	2,209			(1,046)	2,914
	973,181			**30,300**	**986,558**
Defined contribution section					
Pooled investment vehicles	146,948	31,634	(22,945)	2,288	157,925
AVC investments	1,037	89	(192)	22	956
	147,985	**31,723**	**(23,137)**	**2,310**	**158,881**
Cash in Transit	370				0
	148,355			**2,310**	**158,881**
Total investments	**1,121,536**				**1,145,439**

12. Transaction Costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds.
Direct transaction costs include fees, commissions and stamp duty.

Transaction costs analysed by main asset class and type of cost are as follows:

	2018			
	Fees £'000	Commission £'000	Stamp duty & taxes £'000	Total £'000
Other	0	0	0	0
	0	0	0	0

	2017			
	Fees £'000	Commission £'000	Stamp duty & taxes £'000	Total £'000
Other	0	1	0	1
	0	0	0	1

In addition to the transaction costs disclosed above, indirect costs are incurred though the bid-offer spread on investments within pooled investment vehicles and charges are made within those vehicles.

13. Pooled Investment Vehicles

As at 31 March 2018 the Fund's investments in pooled investment vehicles comprised:

Defined Benefit section *Return Seeking Strategy*	2018 £'000	2017 £'000
Bonds	72,426	71,266
Equity	283,530	314,455
Hedge Funds *1*	430	2,484
Private Equity	0	3
Diversified credit	139,460	150,647
Direct lending	149,263	112,917
Money market funds	0	0
Total return fund *1*	84,981	86,114
Total	**730,090**	**737,886**
Liability Matching Strategy		
Bond	0	0
Total	**730,090**	**737,886**
Defined Contribution section		
Default Funds		
Bonds	17,364	15,641
Equity	6,467	5,706
Cash	2,657	2,292
Diversified growth *1*	130,779	122,043
Total	**157,267**	**145,682**
Other Funds 2	1,614	1,266
	158,881	**146,948**

1 The funds hold a variety of investments including equities, bonds, derivatives and commodities.
2 Other funds include a wide range of investments including sustainable investments and property.

14.1 Derivatives

At 31 March 2018 the Fund had the following derivatives:

	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Repurchase agreements	0	762,464	0	415,180
	0	762,464	0	415,180

All assets and liabilities held with Rogge were disinvested during the year. As a result no assets or liabilities are held, within futures and forward exchange contracts

14.2 Repurchases

Repurchase agreements

During the year the Fund has entered into repurchase agreement using its UK gilts as the underlying security. The Fund retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date. The securities are included in the financial statements as assets of the Fund at their market value. At 31 March 2018 the market value of the securities sold under repurchase agreements was £789.4m (2017: £424.7m).

Cash received from counterparties in respect of the securities that have been sold has been used by the investment manager to increase its fixed income portfolio. Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the financial statements under investment liabilities. At 31 March 2018 this amounted to £762.5m (2017: £415.2m) including accrued interest.

Collateral on Repurchase agreements

At 31 March 2018 there was collateral pledged of £18.6m (2017: £1.5m) and collateral held of £nil (2017: £6.6m) against the difference in valuation between the underlying securities and the repurchases.

15 Defined Benefit section AVC Investments

The Trustee hold assets invested separately from the main DB Section investments to secure additional benefits on a money purchase basis for those DB Section members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement made up to 31 March 2017 confirming the amounts held in their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2018 £'000	2017 £'000
The Equitable Life Assurance Society	590	682
Standard Life Assurance Limited	4,284	4,406
	4,874	**5,088**

16 Defined Contribution Assets

For the DC section investments purchased by the Fund are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the trustee. The Fund administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Fund that relate to members leaving the Fund prior to vesting.

DC section AVCs are invested together with the other member funds. Investments allocated to members and the Trustee is as follows:

	2018 £'000	2017 £'000
Members	157,900	147,304
Trustee	981	1,051
	158,881	**148,355**

17 Investment Risks

All investment business is conducted in accordance with the Statement of Investment Principles (SIP) prepared in accordance with Section 35 of the Pensions Act 1995 which includes the Trustee's investment policy on social, environmental and ethical investment considerations. The Trustee agreed that funds must be invested to obtain the best possible return for members, subject to an appropriate level of risk. Trustee policy regarding social, environmental and ethical investment issues is therefore that the extent to which these issues are taken into account in investment decisions is left to the discretion of the active investment managers. The Trustee does not consider it appropriate for the passive investment manager to take account of such issues in the selection, retention and realisation of investments.

The Trustee recognises that there are risks involved in the investment of the assets of the Fund, which it monitors on a regular basis and seeks to mitigate.

Credit risk 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 comprises currency risk, interest rate risk and other price risk as follows:

- Currency risk 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 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 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.

The Trustee's determine their investment strategy after taking advice from the investment adviser. The Fund has exposure to these risks because of the investments it makes in following the investment strategy. The Trustee's manage investment risks, including credit risk and market risk, within the agreed risk limits which are set taking into account the Fund's strategic investment objectives. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Fund.

17.1 DB Investment strategy

The investment objective of the Defined Benefit Section (DB Section) is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the DB Section payable under the Trust Deed and Rules as they fall due. This is combined with an objective of achieving returns in excess index linked gilts of 2.8%.

The Trustee sets the investment strategy for the DB Section taking into account considerations such as the strength of the employer covenant, the long term liabilities of the DB Section and the funding agreed with the Employer. The investment strategy is set out in its SIP.

The current strategy for the DB Section is to hold:

- 75-81% in return seeking investments comprising UK and overseas equities and bonds, credit opportunities, direct lending, diversified credit, bond funds, swaps and cash and is expected to generate higher returns and cash flows than would be obtained solely from government bonds and hedge funds.
- 19-25% in investments that move in line with the long term liabilities of the Fund. This a Liability Driven Investment (LDI) strategy, which comprises UK government bonds as well as derivative instruments to hedge the impact of interest rate and inflation movements on 94% of the long term liabilities of the Fund.

As at 31 March 2018 the DB Section held 75% of its portfolio in return seeking investments (2017 - 77%) and 25% in liability matching assets (2017 - 23%). See notes 11 and 13 for further details of the investments held at the start and end of the year.

These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee by regular quarterly reviews of the investment portfolio. If, during the quarterly review, an asset class or investment manager exceeds their asset allocation weighting, the Trustee will decide whether to rebalance the portfolio of assets at that time.

17.1.1 Other Price Risk

Other price risk arises principally in relation to the Fund's return seeking portfolio. As at 31 March 2018, as detailed in the Statement of Net Assets 75% (2017 - 77%) of the portfolio was held in the return seeking portfolio, based on the fair value of the investments. Other price risk varies depending on the particular market and arises on equity funds, hedge funds and private equity within the portfolio, as shown in note 13.

The fund has set a target asset allocation of 75-81% of assets in return seeking investments. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

17.1.2. Interest Rate Risk

The Fund is subject to interest rate risk because some of the Fund's investments are held in directly held bonds, credit opportunities funds, diversified credit funds, cash and use is made of repurchase agreements. Under this strategy, if interest rates fall, the value of liability driven investments will rise to help match the increase in actual liabilities arising from a fall in the discount rate. Similarly, if the interest rates rise, the liability driven investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The Fund has set a target asset allocation of 19-25% of assets in liability matching strategy. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

As at 31 March 2018 the liability matching portfolio represented 25% (2017 - 23%) of the total investment portfolio based on the fair value of the investments. This variance from the target asset allocation is due to the ongoing transition of the Fund's instruments.

	2018 £'000	2017 £'000
Fixed interest gilts	420,644	145,575
Index linked gilts	578,478	491,012
Repurchase and agreements	(762,464)	(415,180)
Cash and other balances	12,018	6,591
	248,676	227,988

The fund is subject to interest rate risk in the return seeking strategy classes as is shown in note 13 with the exception of equities.

17.1.3. Inflation Risk

The Fund currently holds indexed linked gilts to manage inflation risk associated with pension liability. The Fund has set a target asset allocation of 15-21% of investments in its liability matching strategy. The inflation risk strategy is fully implemented, hedging the impact of interest rate and inflation movements on 94% of the long term liabilities of the Fund (2017 – 65%).

As at 31 March 2018 the liability matching portfolio represented 25% (2017 - 23%) of the total investment portfolio based on the fair value of the investments. The detailed breakdown and constituents of the LDI portfolios are provided under the Interest Rate Risk disclosure section.

17.1.4. Currency Risk

The Fund is subject to indirect currency risk because some of the Fund's sterling priced pooled investments vehicles hold assets denominated in foreign currencies. The Fund holds investments in emerging markets equities, world equities and overseas credit pooled investments vehicles as shown in note 13. Currency risk is accepted where this facilitates overseas investments, taking into account the risks and the expected reward.

17.1.5 Credit Risk

The Fund uses LDI Portfolios and is subject to direct credit risk arising from bonds directly held and derivatives. Government bonds are held to help control the overall credit risk and collateral is posted to cover gains and losses on the derivatives (hence minimising the exposure to the counterparty's credit).

The Fund invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Trustee manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

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

Pooled investment arrangements used by the Fund comprise units in open ended credit investment funds of £277.1m (2017: £289.2m), shares in limited partnerships of £149.3m (2017: £115.4m), Irish qualifying investor alternative funds £49.0m (2017: £48.5m), unit linked insurance funds £257.4m (2017: £284.8m).

Credit risk arising on other investments, such as cash balances held by investment managers, is mitigated by investment mandates requiring all counterparties to be investment grade and diversifying counterparties and this is the position at 31 March 2018 and at the comparative year end due to the nature of the investments.

The Trustee receives regular reports from their fund managers and investment managers confirming whether the agreed guidelines have been adhered to.

17.2 DC Section

The key investment objective is to facilitate the accumulation of each Member's individual Personal Account in a portfolio of secure assets of appropriate liquidity via unitised funds selected by the Member.

The Trustee wishes to give each Member a reasonable degree of freedom over the choice of investment funds for the accumulation of their Personal Account and, having taken appropriate advice, has made a range of unitised investment funds available. The choice of funds is designed to ensure that Members have sufficient flexibility to invest in funds of their choice in a manner that is consistent with their personal circumstances.

The Fund provides investment options sourced through an insurance policy with Aviva, the platform the Fund uses and through which a number of different white labelled funds and direct investment manager funds can be accessed as follows:

- equity
- bonds
- sustainable investment
- cash
- diversified growth.

The Trustee monitors the underlying risks by quarterly investment reviews with its DC Section investment adviser.

The range of investment options is reviewed by the Trustee periodically to ensure their continued suitability

17.2.1 Direct credit risk

The DC Section is subject to direct credit risk in relation to Aviva through its holding in unit linked insurance funds provided by Aviva. Aviva is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the creditworthiness of Aviva by reviewing published credit ratings. Aviva invests all the Fund's funds in its own unit linked investment funds. In the event of default by Aviva the Fund is protected by the Financial Services Compensation Scheme.

17.2.2 Indirect credit and market risk

The DC Section is subject to indirect credit and market risk arising from the underlying investments held in the unit linked investment funds managed by Aviva. Member level risk exposures will be dependent on the funds invested in by members.

At the Fund year end the bond, cash and diversified growth funds were exposed to underlying credit risk. The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade.
The majority of the Fund's members invest in the default funds, overall the default funds represent 95.7% (2017: 95.6%) of the Fund's investments. The risk disclosures have therefore focussed on these funds. The Fund's DC default funds are subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the following funds:

- The equity funds are exposed to foreign exchange and other price risks.
- The bond funds are exposed foreign exchange and interest rate risk.
- The cash funds are exposed to foreign exchange and interest rate risk.
- The diversified growth funds are exposed to foreign exchange risk, interest rate risk and other price risk.

18. Capital Commitments

The Fund has the following capital commitments:

- Alcentra £24.6m (2017 - £57.7m) investment into the Clareant European Direct Lending Fund II (GBP) SCSp, a pooled direct lending investment vehicle. The contribution will be made in stages until 31 December 2018, by divesting from PIMCO.

Investment Manager	Balance to be injected by 31/12/18	Comment
Alcentra – Direct Lending	£24.6m	To be completed in stages at the investments managers request on or before 31 December 2018.

19. Current Assets

2018	DB Section £'000	DC Section £'000	Total £'000
Balance at bank	9,544	280	9,824
Sundry debtors	218	92	310
	9,762	372	10,134

2017	DB Section £'000	DC Section £'000	Total £'000
Balance at bank	12,154	280	12,434
Sundry debtors	112	0	112
	12,266	280	12,546

20. Current Liabilities

2018	DB Section £'000	DC Section £'000	Total £'000
Lloyd's Register Group	0	0	0
Benefits Payable	593	395	988
Accrued expenses	447	63	510
	1,040	458	1,498

2017	DB Section £'000	DC Section £'000	Total £'000
Lloyd's Register Group	3,518	0	3,518
Benefits Payable	0	0	0
Accrued expenses	381	280	661
	3,899	280	4,179

21. Employer related investments

There were no employer related investments within the meaning of Section 40(2) of the Pensions Act 1995.

22 Related party transactions

Lloyd's Register Group Ltd, who are the Fund's sponsoring employer, provides the Fund with Administrative services and the Fund makes a contribution to Lloyd's Register Group Ltd towards the costs of these services. This amounted to £316,000 for the year ended 31 March 2018 (2017: £468,000). The sponsoring employer also pays certain costs on behalf of the Fund, including the monthly pensioner payroll, which is subsequently reimbursed by the Fund. The balance due from the Fund to the sponsoring employer at the year end is shown in note 20.

7 members of the Board of the Trustee are contributing members of the Fund and contributions are paid in accordance with the Schedule of Contributions. Mr Nicholas Godden was appointed in October 2014 at a fee of £50,000 per annum. The total sum paid during the year ended 31 March 2018 was £50,000 (2017: £50,000). The total amount due to Mr Nicholas Godden was £50,125. Arrears will be paid during the year ending 31 March 2019.

32. Independent auditor's statement about contributions to the Trustee of the Lloyd's Register Superannuation Fund Association

Statement about contributions payable under the Schedule of Contributions

We have examined the summary of contributions payable to the Lloyd's Register Superannuation Fund Association, for the Fund year ended 31 March 2018 which is set out in the Trustee's Report on page 41.

In our opinion contributions for the Fund year ended 31 March 2018 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Fund actuary on 30 June 2017.

Basis of opinion

Our objective is to obtain sufficient evidence to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedule of Contributions.

Responsibilities of trustees

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

Auditor's responsibilities for the statement about contributions

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Fund's Trustee, as a body, in accordance with 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 Fund's 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 Fund's Trustee as a body, for our work, for this statement, or for the opinion we have formed.

[Signature redacted]

Crowe U.K. LLP
Statutory Auditor
London

Date...11.-10.-18.................

33. Summary of Contributions

During the year ended 31 March 2018 the contributions payable to the Fund under the Schedules of Contributions were as follows:

	DB Section £'000	DC Section £'000	Total £'000
Employer Normal Contributions	0	14,568	14,568
Employer Deficit Funding Contributions	8,830	0	8,830
Operating Expenses	800	0	800
Survivors' Pension	187	0	187
Bonus Waiver	0	248	248
Employee Normal Contributions	0	999	999
Employee Additional Voluntary Contributions	84	486	570
Employer Contributions in respect of PPF Levies	301	0	301
Insurance	435	0	435
Total Contributions under Schedule of Contributions	10,637	16,301	26,938
Total Contributions per page 25 of the Financial Statements	10,637	16,301	26,938

Approved on ..04..October...18..... on behalf of the Trustee by:

[Signature redacted]

....

Director

Lloyd's Register Superannuation Trustees Limited

[Signature redacted]

....

Director

Lloyd's Register Superannuation Trustees Limited

34. Chairman's Statement

1. Introduction

This statement has been prepared by the Trustee of the Fund (the "Trustee") in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations ("the Administration Regulations") 1996 (as amended). It describes how the Trustee has met the statutory governance standards in relation to:

- The default arrangement(s);
- The requirements for processing financial transactions;
- The assessment of charges and transaction costs; and
- The requirement for trustee knowledge and understanding,

Between 1 April 2017 and 31 March 2018, the 2017/18 scheme year ("the Scheme Year").

2. Default arrangement

The following arrangement is the Fund's "default arrangement" for the purposes of Administration Regulations:

- Flexible Retirement Strategy, which is a lifestyle strategy containing:
    - Lloyd's Register Adventurous Fund:
        - 70% BlackRock (50:50) Global Equity Index
        - 30% Standard Life Global Absolute Returns Fund
    - Standard Life Global Absolute Returns Fund
    - BlackRock Aquila Life Market Advantage Fund
    - BlackRock Over 5-year Index-Linked Gilt

The fund 20 years out from the Selected Retirement Age, moves out of the Adventurous fund and into greater or new holdings in the other three detailed funds. A full breakdown of the switching process is detailed in the Statement of Investment Principles.

2.1 Statement of Investment Principles

Appended to this statement is a copy of the Fund's latest Statement of Investment Principles governing decisions about investment for the purposes of the default arrangement(s), prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the "Statement of Investment Principles").

2.2 Review

The Trustee undertakes a review of the strategy and performance of the default arrangement on a quarterly basis.

The default arrangement has an Annual Management Charge (AMC) of 0.46% and was reviewed against the Charge Cap regulation and was confirmed to be within the regulations of this. reduced by 2 bases points from 2016.

During the Fund Year 1 April 2017 to 31 March 2018 the Trustee reviewed the Administrator and Investment Manager of the LRSFA. It decided to replace Aviva with Standard Life as the provider of these services. This will mean that from 1 September 2018 the AMC of all of the fund range on offer to member will be reduced. The AMC for the default arrangement will be set at 0.41% for those who are not yet in the glidepath.

3. Requirements for processing financial transactions

The Trustee regularly monitors core financial transactions of the Fund via the Fund administrator's administration report. These include the investment of contributions, fund switches, transfers in and out of the Fund and payments out of the Fund.

The Trustee's Annual Report and Financial Statements are independently audited annually by the Fund's auditor, Crowe U.K. LLP.

Based upon the above, the Trustee is satisfied that the Fund's core financial transactions have been processed during the Scheme Year (covering from 1 April 2017 to 31 March 2018). There have been transactions that have either not been invested or have been misallocated during the year. However these have been captured by the in house administration team and escalated to Aviva to fix. Work is being carried out to ensure that these errors are eradicated in future years and all transactions are processed accurately and promptly.

4. Assessment of member-borne charges and transaction costs

4.1 Level of member-borne charges and transaction costs

The Total Expense Ratios applied to the Fund's default arrangement and self-select asset class fund range as at 31 March 2018 are shown below, also detailed is the proposed charges with effect from 1 September 2018 after the move to Standard Life to the same or equivalent funds

Fund	TER (Aviva) %	Proposed TER (Standard Life) %
BlackRock Market Advantage	0.56	0.51
BlackRock UK Equity Index	0.23	0.22
BlackRock Over 15 Year Corporate	0.23	0.22
BlackRock (50:50) Global Equity Index	0.23	0.22
BlackRock (30:70) Currency Hedged Global Equity	0.33	0.32
BlackRock Cash	0.33	0.28
BlackRock Over 15 Year Gilts Index	0.23	0.20
BlackRock Over 5 Year UK Index-linked Gilt Index	0.23	0.20
Standard Life Global Absolute Return Strategies	1.00	0.85
Lloyds Register Adventurous	0.46	0.41
Lloyds Register Diversified Growth	0.90	0.83
Lloyds Register Emerging Markets Equity	0.68	0.67
Lloyds Register Fixed Income	0.23	0.21
Lloyds Register Global Equity	0.58	0.57
Lloyds Register Moderate	0.46	0.40
Lloyds Register Property	0.98	0.30
Lloyds Register Pre-Retirement	0.26	0.22
Lloyds Register Sustainable Investments	1.13	0.30

During the Fund Year 1 April 2017 to 31 March 2018 the Trustee is satisfied with the levels of charges and transaction costs; however, in conjunction with the move to Standard Life it will continue to endeavour to enhance or reduce existing agreements to enhance member outcomes.

4.2 Value assessment

In accordance with regulation 25(1) (b) of the Administration Regulations, the Trustee assesses the extent to which charges and transaction costs set out in 4.1 above represent good value for members.

The Trustee is committed to ensuring that members receive value for money from the Fund. The Trustee, with the support of its advisers, KPMG, undertook a value for members' assessment. In addition, the Trustee's objective in respect of targeting "best member outcomes" applies with providing value for members.

There were seven areas of DC governance categories that the Trustee reviewed and a weighted score was applied to each. Using this balanced scorecard demonstrated that LRSFA should be placed in the top grouping of DC Funds, with particular strengths in Fund design and administration.

A value for members' assessment has taken place, which assesses whether the total costs of the Fund membership represent value for money. In accordance with the Pensions Regulator's DC Code of Practice, with relevant legislation available at the time of this statement, the Trustee concluded that the Fund's overall benefits and options represent value for money in comparison to the costs payable by members for the following reasons:

- Charges for the Fund's default investment strategy are below the charge cap of 0.75% per year;
- Members have access to low investment fund management charges, which the Trustee believes balances low charges with a sophisticated investment strategy;
- Members do not pay professional adviser costs or any costs associated with running the Fund;
- There is a wide range of funds for members to invest in, including main and alternative asset classes;
- The Company offers wider benefit incentives in order to encourage wider pension saving;
- Members have access to flexibility at retirement which has been reviewed against the market, and an at retirement adviser has been appointed by the Company;
- The pensions support team provide a dedicated member support helpline, and is considered an asset to the Fund;
- Members have access to salary sacrifice and the full employer National Insurance saving is passed back to the member;
- The quality of communications issued to members on a regular basis allows support to be provided on all legislative change; and
- A comparison against the charges of similar pension Funds found that the level on offer is providing value for members.

To improve value for members, the Trustee has agreed to:

- Monitor output of the DWP consultation on transparency of charges;
- Continue to monitor the suitability of the lifestyle strategy;
- Continue to ensure the service provided by the at retirement adviser remains appropriate;
- Regularly review the option of appointing a drawdown provider;

- Continue to review member records in accordance with tPR requirements;
- Request copies of Aviva's internal controls report and risk register; and
- Undertake a survey of the membership to understand what is important to members.

5. Trustee knowledge and understanding

The Trustee's own knowledge and understanding, together with the advice which is available to it through its adviser, enables it to properly exercise its functions as Trustee of the Fund.

The Trustee has quarterly meetings in order to discuss legislative change and requirements in order to meet its objectives.

During the Fund Year, the Trustee has met the requirements of sections 247 and 248 of the 2004 Act (requirements for knowledge and understanding) and will be putting in place further training requirements for the next Fund Year by formally putting in place an enhanced training schedule.

[Signature redacted]

Nicholas Godden
Chairman to the Board of the Trustee
Lloyd's Register Superannuation Trustees Limited

Lloyd's Register Superannuation Fund Association

Statement of Investment Principles ("SIP")

[Adopted with effect from: 6/9/2018]

Purpose of this Statement

This SIP has been prepared by the Lloyd's Register Superannuation Trustees Limited ("The Trustee") as Trustee of the Lloyd's Register Superannuation Fund Association (the "Fund"). The Fund has both a Defined Benefit ("DB") Section and a Defined Contribution ("DC") Section. This statement sets out the principles governing the Trustee's decisions to invest the assets of the Fund.

Details on the Fund's DB and DC Section investment arrangements are set out in the respective sections of this document below. Specific details of the underlying arrangements are included within Appendix A and B respectively.

Governance

1) In the DB Section the Trustee sets the overall asset allocation. This will be reviewed as part of the Fund's actuarial valuation process, and also in the interim if appropriate.
2) In the DC Section the Trustee makes a range of pooled funds and lifestyle strategies available to Members.
3) When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's Investment Consultant, KPMG LLP, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The Investment Consultant's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Fund.
4) No change will be made without first consulting the Sponsor, Lloyds Register Group Limited, and considering the written advice from the Investment Consultant. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.
5) The Trustee has also taken the Myners' Principles into consideration when making decisions about the Fund's investment arrangements.
6) The Trustee has set up an Investment Committee, which is governed by an agreed Terms of Reference, in order to provide appropriate focus to the DB and DC Section investment arrangements. Day-to-day investment decisions are delegated to the investment managers subject to defined tolerances relative to their respective mandates.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Risk management

The Trustee recognises that there are risks involved in the investment of the assets of the Fund which it monitors on a regular basis, and seeks to mitigate those risks that are either significant or not aligned with the target investment strategy.

There are a number of specific DB and DC Section risks. These are also outlined in the respective sections of this document.

A non-exhaustive list of key recognised risks applicable to both DB and DC Sections are outlined in Appendix C.

Ethical, Environmental, Social and Governance

The Trustee's policy is that decisions on these issues regarding the investment of the Fund's assets, including the exercise of rights attached to investments, should be made by the investment managers (when appointed) on the Trustee's behalf, having regard to the best financial interests of the beneficiaries. Where this consideration is not prejudiced, the Trustee expects the investment managers to take account, where appropriate, of social, environmental and ethical factors in making these decisions.

Rights attaching to the investments

The Trustee recognises the importance of exercising rights (including voting rights) attaching to investments. For reasons of practicality, the Trustee delegates responsibility for the exercise of such rights to its investment managers.

Employer-related investments

The policy of the Trustee is not to hold any direct employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. This includes investment in any subsidiary of the Sponsor or in property leased to or owned by the Sponsor or its subsidiaries. The Trustee monitors this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their Investment Consultant.

Defined Benefit Section

Long term journey plan

As part of the 2016 Actuarial Valuation Report, the Trustee and Sponsor agreed a long term objective for the DB Section to achieve full funding on a Gilts + 0.5% basis by 2029. The Trustee has therefore set appropriate risk and return expectations in order to achieve this objective. The current expected return target of the DB Section assets is Gilts + 2.8% p.a. subject to a target level of risk of £100m as measured by the 95% 1 year Value at Risk ("VaR").

The investment strategy was derived following careful consideration of the nature and duration of the Fund's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required, and also the strength of the Sponsor's covenant. The Trustee considered the merits of a range of asset classes, including various "alternative assets". A detailed breakdown of this asset allocation and manager fees is provided in Appendix A.

The Trustee reviews the funding level position at least quarterly in line with regular performance reporting. If the funding level is determined to be sufficiently different to what is expected from the above journey plan, the Trustee and Sponsor will decide whether the current expected return target remains suitable and make adjustments to the asset allocation accordingly.

The current long term journey plan implies de-risking to the ultimate objective of Gilts + 0.5% by 2029. There is an expectation the current expected return (and therefore risk) will decrease gradually over time. This is however subject to market movements and the funding level relative to the expected journey plan.

DB Section risk management

The Trustee recognises that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities.

Risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets. The Fund has a particular focus on credit assets which provide greater certainty about the expected risk and return due to their contractual nature. The Trustee also has a mandate in Liability Driven Investment ("LDI") with the aim of minimising (as far as possible) volatility of the funding level relative to the liabilities. Details on the target liability hedging levels are provided in Appendix A.

A detailed list of the risks considered is provided in Appendix C.

Manager structure

The Trustee employs a range of specialist investment managers and uses a range of pooled funds with specialist investment objectives. The assets of the Fund consist predominantly of investments which are traded on regulated markets.

Performance measurement

A set of measurable performance objectives has been developed for the investment managers and pooled funds. Performance in each asset category is compared quarterly with a suitable benchmark and an outperformance objective where applicable.

The managers and pooled funds are expected to demonstrate skill in the management of their portfolios consistent with the performance objectives, given the levels of risks adopted. Passive investment managers are expected to perform in line with their respective defined benchmarks. Investment performance is reviewed at least quarterly by the Investment Committee.

Liquidity management

The Trustee's investment managers are expected to consider the liquidity of investments when new investments are made and to sell investments they do not consider suitable for the Fund at an appropriate time. The Fund Administrators ensure sufficient liquidity is held to meet known benefit payments and is satisfied that assets could be realised at short notice to meet unexpected cashflow requirements.

Defined Contribution Section

Personal Account

Each Member of the DC Section has an individual Personal Account deriving from the accumulated contributions from the Member and the Sponsor. The Personal Account is used at retirement or earlier death to provide benefits whereby the member can drawdown an income, purchase an annuity and/or provide lump sum benefits to the Member or appropriate Dependants.

The funds within this Section are also available to DB Section members who wish to pay Additional Voluntary Contributions ("AVCs") to enhance their benefits.

Information for Members

Detailed information on the full available range supported by the provider is made available on the website of the provider.

Investment objectives

The key investment objective is to facilitate the accumulation of each Member's individual Personal Account in a portfolio of secure assets of appropriate liquidity via unitised funds selected by the Member.

The Trustee wishes to give each Member a reasonable degree of freedom over the choice of investment funds for the accumulation of their Personal Account and, having taken appropriate advice, has made a range of unitised investment funds available.

On 6th April 2015, the UK government introduced new 'pensions flexibility' rules allowing members to access their pension pots in a number of different ways. Following the new regulations, the Trustee revised the default lifestyle strategy to better reflect the new flexibilities available to members at retirement. Details of the new default lifestyle strategy are shown in Appendix B.

The Fund provides investment options sourced through an insurance policy with Aviva, the platform the Fund uses and through which a number of different investment managers and funds can be accessed. The range of investment options is reviewed by the Trustee periodically to ensure their continued suitability.

To assist the Members with more focussed decision making, the Trustee, having taken advice from its DC Investment Consultant, has introduced a 'Core' range of funds which are expected to match the risk/reward profile of the majority of members. A broader 'Non-core' range is offered for those members wishing to make more engaged investment choices. The list of funds available to members is shown in Appendix B.

Although the Trustee wishes to give Members a degree of freedom to make their own investment decisions, it also believes that it is appropriate to provide a default investment strategy to members who do not wish to make their own choices about investment of their pension assets. The Trustee has taken advice on the appropriate funds to form the default strategy and has established a lifestyle strategy as the default option, which initially targets growth of assets in the early years in the Fund and switches to target wealth preservation in the years approaching retirement. In addition, three other lifestyle structures (5 year, 10 year and 15 year, each targeting annuity purchase and 25% tax free cash) are also offered to existing members should they wish to continue to target the purchase of an annuity at retirement.

Benchmarks and performance targets are set for each fund component of the lifestyle strategy. The overall investment objective for the lifestyle strategy is to produce a long-term return in excess of salary inflation. The Trustee will review the default strategy on a regular basis. Details of the default and alternative lifestyle options are shown in Appendix B.

Expected return on assets

The Trustee expects that an authorised Independent Financial Advisor will consider and explain the historical and expected rates of return earned on the various classes of asset available for investment, along with the inherent risks and levels of fund charges, when advising individual Members.

Performance measurement

A set of measurable performance objectives has been developed for the unitised funds. A report on fund performance is prepared on a quarterly basis by the Investment Consultant and considered by the Investment Committee. Performance for each fund is compared with a suitable benchmark and an out-performance objective. The managers (particularly those with an active mandate) are expected to demonstrate skill in the management of their portfolios consistent with the performance objectives, given the levels of risks adopted.

DC Section risk management

The Trustee considers the following DC specific investment risks:

- **Inflation risk** - The risk that the investment return over members' working lives does not keep pace with inflation;
- **Conversion risk** - The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in the member's pension pot, to be converted into a fixed or flexible income stream;
- **Opportunity cost risk** - The risk that members end up with insufficient funds at retirement with which to secure a reasonable income through not having taken enough risk whilst the opportunity was available;
- **Manager risk** - The risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed; and
- **Capital risk** - The risk of a fall in the value of the Member's fund.

The investments offered through the DC Section have been chosen, in part, to help members mitigate these risks through appropriate fund selection. A detailed list of the risks considered is provided in Appendix C.

Realisation of investments

The assets of each Member's Personal Account are held in unitised investment funds that can be realised to provide pension benefits on retirement, or earlier if required.

Rate of contribution

The assets that will ultimately accumulate in each Member's Personal Account depend critically on the rate of contribution that each Member decides to pay. The Trustee draws this fact to the attention of the Members in the communications material issued to them.

Fund charges

Each Member will pay fund charges directly within the fund in which they choose to invest. The level of fund charges a Member pays will depend on the specific funds in which they invest. The Trustee ensures that the charges are competitive, and makes Members aware of them in the DC Section investment guide.

Legacy AVC arrangements

Some members have legacy AVC arrangements with Standard Life and Equitable Life. The Trustee monitors these on a regular basis.

For and on behalf of Lloyd's Register Superannuation Trustees Ltd as Trustee of the Lloyd's Register Superannuation Fund Association.

[Signature redacted]

Signed: .... Name (Print): ....

Date: ....04/10/18.......................

For and on behalf of Lloyd's Register Group Limited.

[Signature redacted]

Signed: .... Name (Print): ....

Date: ....4/10/18.

Appendix A: Defined Benefit Section

Investment strategy

The Fund's current investment strategy is invested according to the following broad asset allocation:

Asset Class	Sub-Asset Class	Target Allocation	Control Ranges	Expected Return (relative to fixed interest gilts)
Equity	Passive global equities	16%	12% - 20%	4.0%
Credit	UK investment grade bonds	7%	5% - 9%	1.3%
	Diversified credit	13%	11% - 15%	2.2%
	Direct lending	20%	16% - 24%	4.0%
	Semi-liquid credit	10%	8% - 12%	3.5%
	Collateralised Loan Obligations ("CLOs")	12%	10% - 14%	2.3%
Liability hedging	Liability Driven Investment ("LDI")	22%	19% - 25%	0%
Cash		-	0% - 5%	n/a
Total		**100%**		

(1) 10 year assumptions as at 31 December 2017 relative to Bank of England 10 Year Gilts (net of management fees).

The expected returns shown in the above table represent long-term expectations of asset classes as a whole. In some cases this may differ from the appointed investment manager's target performance objective. The Trustee is comfortable that the asset allocation sufficiently meets the expected return target for the Fund, and has received advice from the Investment Consultant supporting this allocation.

Short-term returns in some asset classes may exhibit considerable variability.

Investment structure and mandates

The Trustee has invested in pooled funds managed by the following investment managers. All the investment managers are regulated under the Financial Services and Markets Act 2000.

Fund	Sub-Asset Class	Active / Passive	Target Allocation
Legal & General Investment Management ("LGIM")	Global equities	Passive	16%
Standard Life Aberdeen Investments	UK investment grade bonds	Active	7%
M&G Investments	Diversified credit	Active	7%
Pacific Investment Management Company ("PIMCO")	Diversified credit	Active	6%
Alcentra Limited	Direct lending	Active	12%
Partners Group AG	Direct lending	Active	8%
Apollo Global Management	Semi-liquid credit	Active	10%
Barings	CLOs	Active	12%
Schroders	LDI	Passive	22%
Other (includes legacy investment at BlueCrest and Liongate)	n/a	n/a	0%

(1) Legacy investments at BlueCrest and Liongate are in the process of winding down the funds and distributing the proceeds to the Fund. There is no target allocation for these investments and these remain a very small portion of current assets held by the DB Section (<1% of total assets as at 31 December 2017).

(2) Most of the Fund's current mandates are invested via pooled funds. The only exceptions are Schroders LDI which is a segregated mandate, and the direct lending funds which are limited partnerships.

(3) The DB Section has committed £103 million of capital to the Alcentra Fund and £66m of capital to the Partners Group Fund. The Alcentra Fund draws down the capital commitment over its investment period, due to end in September 2019.

Mandate target returns, objectives and fees

The Trustee ensures the underlying manager fees are competitive.

Fund	Benchmark	Objective	Fees (% p.a.)
LGIM World Equity Index Fund	FTSE World NetTax (UKPN) Index	To track the benchmark	0.15
SLI UK Corporate Bond Fund	Merrill Lunch Sterling Non Gilts All Stocks Index	To outperform the benchmark by 0.8% p.a. (gross of fees)	0.25
M&G Alpha Opportunities Fund	1 Month UK GBP LIBOR	To outperform the benchmark by 3% - 5% p.a. (gross of fees)	0.5
PIMCO Diversified Income Fund	1/3 Barclays Global Aggregate Credit Component Hedged USD Index; 1/3 BofA Merrill Lynch Global High Yield BB-B Rated constrained Index; 1/3 JP Morgan EMBI Global Index	To outperform the benchmark by 0.75% - 1.25% p.a. (gross of fees)	0.69
Alcentra Clareant European Direct Lending Fund II (Unlevered)	n/a	To achieve an average Internal Rate of Return ("IRR") of 8% - 10% (net of fees)	Base: 0.90 Performance: 10% above a return of 5%
Partners Group Private Market Strategies S.A. - Compartment 2015 (VI) Fund	3 Month UK GBP LIBOR	To outperform the benchmark by 3.5% - 6% (net of fees) over the medium term	Base: 0.80 Performance: 8% above a return of 4%
Apollo Total Return Fund	3 Month UK GBP LIBOR	To outperform the benchmark by 6%-8% p.a. (gross of fees)	Base: 0.50 Performance: 0.6% above a return of 6%
Barings Investment Grade CLO Fund	3 Month UK GBP LIBOR	To outperform the benchmark by 2.5% p.a.	0.21

LDI mandate objective and fees

Mandate	Benchmark	Target interest rate and inflation hedge	Fees (% p.a.)
Schroders – segregated LDI mandate	To track the Liability Hedge Benchmark	94% of the interest rate and inflation exposure borne from the Fund's Technical Provisions valued liabilities	0.035 of Liability Hedge Benchmark

The Liability Hedge Benchmark is defined as the movement in the hedged part of the Fund's liabilities valued on a Technical Provisions basis.

The Trustee and Sponsor reviews the target interest rate and inflation hedging levels as part of regular quarterly reporting and in respect of the long term journey plan.

Schroders review the hedging annually to determine whether the solution is accurately tracking the movement in the hedged portion of the Fund's liabilities.

Appendix B: Defined Contribution Section

Investment Options

Both a 'Core' and 'Non-Core' range of funds are offered to members in the DC section. All Core funds are blended funds constructed using underlying options from the Non-Core range.

Core range

White Label Name	Underlying Funds							Target (% p.a.)	Fund Charge (% p.a.)
	DGF	Global Equity 50:50 (passive)	Corporate Bonds (passive)	Index-linked Gilts (passive)	Emerging Market Equity (passive)	Emerging Market Equity (active)	Cash		
Emerging Markets Equity Fund - Active	-	-	-	-	32%	68%	-	RPI + 5%*	0.68
Adventurous Fund	30%	70%	-	-	-	-	-	RPI + 5%*	0.46
Moderate Growth Fund	30%	30%	20%	20%	-	-	-	RPI + 3.5%*	0.46
Fixed Income Fund	-	-	50%	50%	-	-	-	RPI + 1.5%	0.23
Pre-Retirement Fund	-	-	-	75%	-	-	25%	RPI + 1.0%	0.26

*these targets are per annum over a 5 to 7 year rolling period.

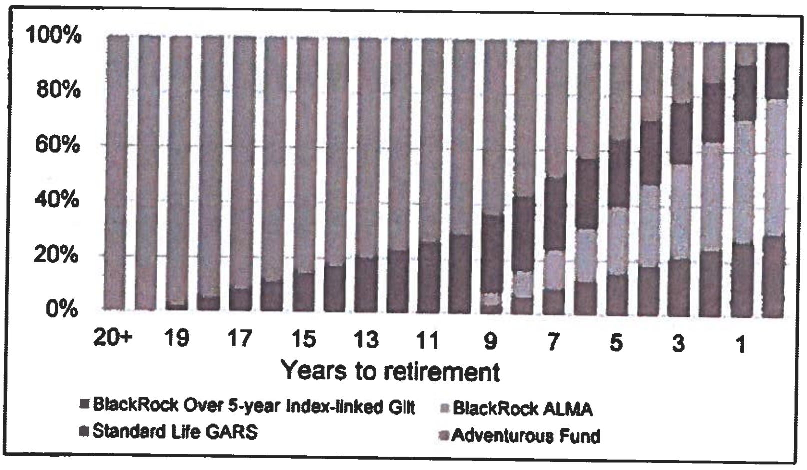
Non-Core range

During the Trustee meeting in February 2016, the decision was made to replace the underlying fund (Aberdeen Life UK and Global 50:50 Equity Fund) within the white labelled Global Equity- Active Fund. On 28th April 2016, assets from the Aberdeen Fund were transferred to the Newton Global Equity Fund.

White Label Name	Underlying Fund	Benchmark	Fund Charge (% p.a.)
Global Equity – Active	Newton Global Equity	MSCI AC World	0.58
Sustainable Investments	Jupiter Ecology	FTSE World Index	1.13
Property	Threadneedle Pension Property	AREF/IPD UK Quarterly Property Fund Index	0.98
Diversified Growth	Schroders Diversified Growth	RPI +5% over a 5 to 7 year period.	0.90
-	Standard Life Global Absolute Return Strategies	RPI +5% over a 5 to 7 year period.	1.00
-	BlackRock (30:70) Currency Hedged Global Equity	30% FTSE All Share Index, 60% FTSE AW Developed ex UK (hedged to GBP), 10% MSCI Global Emerging Markets Index	0.33
-	BlackRock UK Equity Index	FTSE All-Share Index	0.23
-	BlackRock (50:50) Global Equity Index	50% FTSE All-Share Index/50% overseas equities	0.23
-	BlackRock Market Advantage Strategy	3m LIBOR + 3.5%	0.56
-	BlackRock Over 15 Year Corporate Bond Index	iBoxx £ Non-Gilts, Over 15 Years Index	0.23
-	BlackRock Over 5 Year UK Index-linked Gilt Index	FTSE UK Gilts Index Linked Over 5 Year Index	0.23
-	BlackRock Cash Fund	7 Day £ LIBID	0.33
-	BlackRock Over 15 Year Gilts Index	FTSE UK Gilts Over 15 Year Index	0.23

Default and Alternative Lifestyle Options

Current default - The lifestyle strategy shown below is the default investment option for members of the DC section.



The aim of the current default strategy is to provide stable growth in the early years with a focus on wealth preservation in later years as a member begins to approach their retirement date.

Listed below are the alternative lifestyle strategies available to existing members who wish to continue to target the purchase of an annuity at retirement:

Name	Structure
Pre-2015 Lifetime Strategy - 5 Year	• 100% Adventurous Fund, gradually switching into Fixed Income Fund beginning 5 years from retirement. • Cash introduced 3 years from retirement. • Asset allocation at retirement 75% fixed income assets and 25% cash.
Pre-2015 Lifetime Strategy - 10 Year	• 100% Adventurous Fund, gradually switching into Fixed Income Fund beginning 10 years from retirement. • Cash introduced 3 years from retirement. • Asset allocation at retirement 75% fixed income assets and 25% cash.
Pre-2015 Lifetime Strategy - 15 Year	• 100% Adventurous Fund, gradually switching into Fixed Income Fund beginning 15 years from retirement. • Cash introduced 3 years from retirement. • Asset allocation at retirement 75% fixed income assets and 25% cash.

Appendix C – Risks

A non-exhaustive list of risks that the Trustee has taken into consideration and sought to manage, where appropriate, is shown below.

Please refer to the above DB and DC sections for details of the respective specific risks.

Manager risk - the risk that investment managers employed fail to meet the investment objectives of their mandates.

- Is measured by the expected deviation of investment return, as set out in the respective investment manager(s)' objectives, relative to the investment policy.
- The investment manager(s)' actual performance is monitored using figures calculated by the Fund's custodian. In addition, the Investment Committee meets the active investment managers on an "as and when required" basis should circumstances dictate, to review past performance and to discuss the operation of the portfolio, including factors supporting the manager's investment process.

Solvency risk and mismatching risk - the risk that the assets of the Fund may be insufficient to meet the liabilities, or may not be fully matched to the duration of the liabilities, leading to volatility in the funding level and contributions required.

- Is measured through assessment of the expected development of the Fund's liabilities, relative to the current strategic investment policy, and possible alternative strategic approaches and through assessing the actual growth of liabilities in relation to the Fund's investments.
- Is monitored on a quarterly basis by the Investment Committee by analysis provided by the Investment Consultant.

Liquidity risk – the risk that the Fund is forced to sell investments in poor markets to fund benefit payments.

- Is measured by the level of cashflow required by the Fund over a specified period.
- Is monitored by the Fund's administrators assessing the level of cash held on a quarterly basis in order to limit the impact of cash flow requirements on the policy.

Custodian risk - the risk that the custodian misplaces Fund investments that it is receiving, delivering or safekeeping.

- Is measured by assessing the quality of the custodian bank: its abilities to settle trades on time and to keep safe custody of assets; and its financial strength (both to stay in business and to pay any claims due to the Fund).
- The Investment Committee monitors the custodian's activities and discusses the performance of the custodian with the investment managers where appropriate.

Political risk and concentration risk - the risk that a political event and/or corporate failure could have a significant adverse impact on the value of the Fund's investments.

- Is measured by the proportion of the Fund's total investments that are concentrated in one geographic market and/or one asset category.
- The Fund's investment policy is designed to ensure that the Fund's investments are adequately diversified. In addition, the investment restrictions ensure that, at a stock selection level, the Fund avoids undue concentration.

Sponsor risk - the risk that the sponsor cannot, or will not, make good a current or future deficit of the Fund.

- Is measured by the level of ability and willingness of the sponsor to support the continuation of the Fund and to make good any current or future deficit.
- The Trustee manages this risk by assessing the interaction between the Fund and the sponsor's business on a regular basis.
- The Trustee has also managed this risk by ensuring that the Fund has recourse to assets held separately in an escrow account. These assets will be paid into the Fund if the funding level falls below certain triggers at future valuation dates.

Currency risk

- The potential for adverse currency movements to have an impact on the Fund's investments.
- Is measured by the exposure of the Fund's assets to any other non-GBP denominated currency.
- The Trustee has managed this risk by investing in only GBP denominated share classes. The investment manager is permitted to take active views on currency investments if this is permitted through the respective investment mandate.

Other identified risks

- **Credit risk** – Default on payments due as part of a financial security contract.
- **Longevity risk** - Members of the Fund living longer than expected, leading to a larger than expected liability.
- **Reinvestment risk** - Proceeds from the payment of principal and interest which may be reinvested at a lower rate than the original investment.