

Lloyd's Register Superannuation Fund Association (LRSFA)

Trustee's Report and Financial Statements for the Year

1 April 2018 to 31 March 2019

LRSFA the Pensions Regulator registration number: 100145126



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1. Chairman's Statement
2. 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
Investment Managers	Aberdeen – Appointed May 2018 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	XPS Administration Limited
DC Administrator & Investment Manager	Aviva – Ceased August 2018 Standard Life – Appointed September 2018

5. Custodian

BNY Mellon

6. Bank

National Westminster Bank PLC
Barclays Bank PLC

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 on page 3.

8. The Directors of the Company (Trustees)

Mr N Godden]	Chairman
Mr S Nice]	Nominated by
Ms M Elkin (Resigned 31 July 2019)]	Lloyd's Register Group Ltd
Mrs R Berry]	
Mr J Kleinot]	
Mr C Colby-Blake]	
Mr D Cronin]	Member Nominated Trustees
Mrs R Willson (Re-elected 18 December 2018)]	(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

In accordance with Rule D24 an election was held at the Annual General Meeting (AGM) on 18 December 2018, as the longest standing Member Nominated Trustee Director Mrs R Willson stood down. Mrs R Willson re-stood for the election and as was re-elected unopposed held at the AGM.

10. Changes to the Advisers to the Fund

Standard Life were appointed as administrators of the DC Section in September 2018. There were no changes to advisers during the year.

11. Changes to the Investment Managers

Aberdeen were appointed as Investment Managers in May 2018. There were no other Investment Manager changes during the year.

12. Post year end events

The Defined Contribution default fund was amended in May 2019. It removed the Standard Life Global Absolute Return Strategies component of the fund replacing by increasing the weighting of the BlackRock Market Advantage Pension Fund. Maria Elkin resigned as Employer Nominated Trustee on 31 July 2019. Her replacement has yet to be announced.

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 3.

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

or

Money & Pensions Service
Holborn Centre
120 Holborn
London EC1N 2TD
0115 965 9570
contact@singlefinancialguidancebody.org.uk
www.singlefinancialguidancebody.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

0345 600 0707
customersupport@tpr.gov.uk
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 2019 the value of the Fund was £1,219m an increase of £65m since 31 March 2018. 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.

	Active*	Deferred**	Pensioner	Dependent	Total
As at 1 st April 2018	1616	3185	1684	482	6967
<i>Prior Year Adjustments***</i>	<i>(59)</i>	<i>(36)</i>	<i>(7)</i>	<i>(5)</i>	<i>(107)</i>
Revised as at 1 st April 2018	1557	3149	1677	477	6860
New Joiners	344	-	-	-	344
Leavers	(232)	232	-	-	
Transfers Out/Refunds	(13)	(36)	-	-	(49)
Deaths	-	(1)	(59)	(29)	(89)
New Pensioners	-	(66)	66	37	37
<i>Recommencements/Adjustments</i>	<i>13</i>	<i>56</i>	<i>-</i>	<i>-</i>	<i>69</i>
Net Movements	112	185	7	8	312
31 st March 2019	1669	3334	1684	485	7172

In addition allowances were paid to 7 children (2018: 13).

*Members in service includes 260 (2018: 296) members who have protected past service rights under the fund following the closure of the DB Section in 2010.

** Deferred members includes 2,147 (2018: 2,113) members who have protected past service rights under the fund following the closure of the DB Section in 2010.

*** As part of the transition of administration to Standard Life from Aviva a number of corrections took place where statuses were not recorded correctly.

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 3.3% from 1st April 2019 (2018: 3.9%) 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)

Contributions into Standard Life and Aviva AVCs policies were closed to new members on 1 September 2018 as part of the transfer of administration to Standard Life. Members who were contributing on 31 August 2018 were able to continue to contribute into Standard Life policy. Members wishing to pay above the regular contribution rates are now able to pay additional contributions into their Standard Life Defined Contribution Policy in line with their main investment options. The historic policies with Standard Life and Equitable Life with-profits fund are closed to new members but remain part of the members benefits. Members are kept informed of developments regarding Equitable Life & Standard Life.

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. Any excess fund remaining 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 LRSFA £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 2019 contributions were paid to the Fund in accordance with the rates set down in 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 2019 the investments of the Defined Benefit Section were managed as follows:-

Manager	Investments Managed	31/03/2019 (Actual% of Total Portfolio Managed)	31/03/2019 (Expected% range of asset portfolio)	31/03/2018 (Expected% of Total Portfolio Managed)	31/03/2018 (Expected % range of asset portfolio)
Alcentra	Direct Lending	8.7		8.0	
Partners Group	Direct Lending	6.9	16-24	7.3	16-24
Barings	Collateralised Loan Obligations	9.7	10-14	10.4	10-14
L&G	Passive World Equity	5.3	12-20	18.6	16-24
M&G Alpha	Diversified Credit	4.7		5.0	
PIMCO	Diversified Credit	8.3	11-15	9.2	11-15
Apollo	Semi-Liquid Credit	8.0	8-12	8.7	
Aberdeen Standard	Active UK Credit	7.3	5-9	7.4	5-9
Schroders	Liability Driven Investments	41.2	19-25	25.3	15-21

Actual percentage of portfolio reflects only the assets held by the above managers and Bluecrest and Liongate but excludes any money in the Trustee bank account and AVCs. May not sum due to rounding.

Other investment decisions

The Trustees agreed as part of the de-risking strategy 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 2019 the Fund received payment from LR's Escrow account of £8.13m (2018: £8.83m) 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 2019 was:-

Manager	Benchmark Return %	LRSFA Return %	Difference %
Equity Managers			
LGIM Ltd - World Markets	11.0	11.1	0.1
Fixed Income Managers			
M&G Alpha	0.7	0.9	-0.3
PIMCO - Diversified Credit	3.0	3.7	0.7
Aberdeen Standard - UK Corporate Bonds	3.7	3.6	-0.1
Alternative Managers			
Alcentra – Direct Lending	0.8	7.0	6.2
Apollo – Semi-Liquid Credit	0.8	2.7	1.8
Barings (Babson) – Collateralised Loan Obligations	0.8	0.7	-0.1
Partners Group – Direct Lending 2015	0.8	7.4	6.6
Partners Group – Direct Lending 2018*	-	-	-
Schroders – Liability Driven Investments	4.1	4.2	0.1

*The Partners Group 2018 Fund is in its investment phase, therefore no return numbers to report.

A small amount of holdings remained as at 31 March 2019 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 2019, 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. The Trustee invested in another direct lending fund with Partners Group.

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	8.5	10.3	9.8
Benchmark	6.7	6.7	7.3

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 2019 is as follows:-

Fund Name	Current Value	Allocation %
LR Adventurous Fund	124,125,141	72.24%
LR Fixed Income Fund	15,228,896	8.86%
LR SL SLI Global Absolute Return Strategies Pn Fd	14,786,668	8.61%
LR SL BlackRock Market Advantage Pension Fund	3,960,424	2.30%
LR SL iShares Index Linked Gilt Index Pension Fund	2,720,142	1.58%
LR SL BlackRock Cash Pension Fund	2,642,995	1.54%
LR SL BR ACS 50:50 Global Equity Tracker Pn Fd	2,251,458	1.31%
LR Global Equity - Active	1,612,304	0.94%
LR Emerging Markets Equity Fund	846,425	0.49%
LR SL iShares UK Equity Index Pension Fund	771,791	0.45%
LR SL BR ACS 30:70 Global Equity Trk (Hdgd) Pn Fd	659,251	0.38%
LR Sustainable Investments	517,791	0.30%
LR Pre Retirement Fund	458,296	0.27%
LR Property Fund	426,998	0.25%
LR Moderate Fund	387,457	0.23%
LR SL Long Corporate Bond Pension Fund	196,394	0.11%
LR SL iShares Over 15 Year Gilt Index Pension Fund	153,773	0.09%
LR Diversified Growth	85,210	0.05%
	£171,831,414	100.00

*Historic investment performance is not available after the switch to Standard Life where new funds were created

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 2019, 94.55% (2018: 95.7%) 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 2019 the balance of the assets of the Defined Benefit Section at market value was:

Asset Class	% of portfolio
Bonds and Equities	40.66
Pooled Investment Vehicles	58.03
Cash on Deposit	0.93
AVC Investments	0.38
	100.00

The investments with a value of 5% or over of the net assets at 31 March 2019:

Investments	Market Value £000's	% of Net Assets
Schroders	426,110	40.66
Barings	100,007	9.54
Alcentra	90,475	8.63
Pimco	85,924	8.20
Apollo	82,325	7.86
Aberdeen Standard	75,024	7.16
Partners Group	71,163	6.79
L&G World Equity	54,517	5.20

27. Administrative expenses

The Fund made a payment of £240k (2018: £316k) to Lloyd's Register Group Ltd towards reimbursement of the expenses of administering the Fund.

Approved on 30/9/2019 on behalf of the Trustee by:

[Signature redacted]

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

[Signature redacted]

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

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.

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.

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3. Deficit contributions

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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*

3297985

Actuary's certification of schedule of contributions

Page 1 of 2

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 redacted]

Signature: Date: 30 June 2017

Name: Qualification: FIA

Address: 95 Wigmore Street
London W1U 1DQ
Employer: Lane Clark & Peacock LLP

3297985 **Notes not forming part of the certification**

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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

Page 2 of 2

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*

29. 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.

30. 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 2019 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 2019, 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 21, 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... 10.10.19

31. Fund Financial Statements for the year ended 31 March 2019

Fund Account

	Notes	DB Section 31.03.19 £'000	DC Section 31.03.19 £'000	Total 31.03.19 £'000	Total 31.03.18 £'000
Contributions and benefits					
Employer contributions	5	9,768	15,840	25,608	25,388
Employee contributions	5	60	1,292	1,352	1,569
Total contributions		9,828	17,132	26,960	26,938
Transfers in		0	245	245	310
Other Income		1	194	195	92
		9,829	17,571	27,400	27,340
Benefits paid or payable	6	(34,574)	(3,175)	(37,749)	(36,199)
Payments to and on account of leavers	7	(6,054)	(6,855)	(12,909)	(13,122)
Other payments	8	(429)	0	(429)	(435)
Administrative expenses	9	(1,562)	(188)	(1,750)	(1,957)
		(42,619)	(10,218)	(52,837)	(51,713)
Net (withdrawals)/additions from dealings with members		(32,790)	7,353	(25,437)	(24,373)
Returns on investments					
Investment income	10	23,922	0	23,922	17,186
Change in market value of investments	13	59,889	7,056	66,945	32,610
Investments manager expenses	11	253	(448)	(195)	(1,251)
Net return on investments		84,064	6,608	90,672	48,545
Net increase in the fund during the year		51,274	13,961	65,235	24,172
Transfer between sections	*	415	(415)	0	0
Net assets of the Fund at 1 April		995,280	158,795	1,154,075	1,129,903
Net assets of the Fund at 31 March		1,046,969	172,341	1,219,310	1,154,075

*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. The transfer between sections also includes unallocated money returned to the Fund following the transfer of the DC section from Aviva to Standard Life.

Statement of Net Assets as at 31 March 2019 (available for benefits)

		2019 £'000	2018 £'000
DEFINED BENEFIT SECTION (DB)			
<i>Return Seeking Strategy</i>			
Investment assets			
Equities	13	2	4
Pooled investment vehicles	15	605,948	730,090
Other investment balances	13	3,349	2,914
Total Net Return Seeking Strategy Investments		609,299	733,008
<i>Liability Matching Strategy</i>			
Investment assets			
Bonds	13	1,035,311	999,122
Cash	13	58,851	12,018
		1,094,162	1,011,140
Investment liabilities			
Derivatives	16	(663,191)	(762,464)
Total Net Liability Matching Strategy Investments		430,971	248,676
AVC investments	17	4,341	4,874
Total Net Investments		1,044,611	986,558
Current assets	21	3,309	9,762
Current liabilities	22	(951)	(1,040)
Total Net Assets of DB Section		1,046,969	995,280
DEFINED CONTRIBUTION SECTION (DC)			
Pooled investment vehicles	15	172,332	157,925
AVC investments	15	0	956
Total Net Investments		172,332	158,881
Current assets	21	537	372
Current liabilities	22	(528)	(458)
Total Net Assets of DC Section		172,341	158,795
Total Net Assets as at 31 March		1,219,310	1,154,075

The notes on pages 27 to 40 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 9 and 10 of the Annual Report and these financial statements should be read in conjunction with this report.

Approved on 30/9/2019 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, and the guidance set out in the Statement of Recommended Practice (SORP) (Revised 2018). The Fund's Trustee has taken advantage of the option to adopt the amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland Triennial Review 2017 incremental Improvements and Clarification issued December 2017, and the SORP (revised 2018) early for these financial statements.

2. Identification of the financial statements

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

3. Comparative disclosures for the Fund Account

	DB Section 31.03.18 £'000	DC Section 31.03.18 £'000	Total 31.03.18 £'000
Contributions and benefits			
Employer contributions	10,553	14,816	25,389
Employee contributions	84	1,485	1,569
Total contributions	10,637	16,301	26,938
Transfers in	0	310	310
Other Income	0	92	92
	10,637	16,703	27,340
Benefits paid or payable	(33,764)	(2,435)	(36,199)
Payments to and on account of leavers	(8,024)	(5,098)	(13,122)
Administrative expenses	(1,725)	(232)	(1,957)
Other payments	(435)	0	(435)
	(43,948)	(7,765)	(51,713)
Net (withdrawals)/additions from dealings with members	(33,311)	8,938	(24,373)
Returns on investments			
Investment income	17,186	0	17,186
Change in market value of investments	30,300	2,310	32,610
Investments manager expenses	(524)	(727)	(1,251)
Net return on investments	46,962	1,583	48,545
Net increase/(decrease) in the fund during the year			
Transfer between sections	81	(81)	0
Net assets of the Fund at 1 April	981,548	148,355	1,129,903
Net assets of the Fund at 31 March	995,280	158,795	1,154,075

4. 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 2019 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.

5. Contributions

		2019		
		DB	DC	Total
		£'000	£'000	£'000
	Note			
Employer contributions				
Normal	i	0	15,317	15,317
Deficit funding	ii	8,130	0	8,130
Additional - operating expenses	iii	800	0	800
Additional - survivors' pension	iv	186	0	186
Bonus Waiver	v	0	523	523
PPF Levy	vi	223	0	223
Insurance	vii	429	0	429
		9,768	15,840	25,608
Member contributions				
Normal	i	0	1,223	1,223
Additional voluntary contributions	ii	60	69	129
		60	1,292	1,352
		9,828	17,132	26,960
		2018		
		DB	DC	Total
		£'000	£'000	£'000
	Note			
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
Bonus Waiver	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

(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 19 and 20.
- (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) Until August 2018 AVCs were 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. AVCs received since September 2018 have been classified as member normal contributions and are not invested separately from the main fund.

The rates, as percentages of pensionable salaries, during the year ended 31 March 2019 were:

	DC Contribution Rates			
	Salary Deduction		Salary Exchange	
	Employee	Employer	Employee	Employer
Regular Contributions	From 3% to 8%	From 10% to 15%	N/A	From 13% to 23%
Additional Contributions	From 1% to 72%	N/A	N/A	From 1% to 72%

Members can 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%. Additional Contributions are paid on top of regular contributions.

6. Benefits paid or payable

	2019		
	DB £'000	DC £'000	Total £'000
Pensions	32,009	0	32,009
Commutations of pensions and lump sum retirement benefits *	1,985	2,626	4,611
Purchase of annuities	0	246	246
Lump sum death benefits	543	303	846
Taxation where lifetime or annual allowance exceeded**	37	0	37
	34,574	3,175	37,749

	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

* Of the £2.626m (2018: £1.710m) of commutations for lump sums for DC benefits, £1.514m (2018: £1.456m) related to lump sums paid to members as a part of their DB retirement, using their DC pot to enhance their lump sum.

**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.

7. Payments to and on account of leavers

	2019		
	DB £'000	DC £'000	Total £'000
Refunds of contributions in respect of non-vested leavers	0	7	7
Individual transfers out to other schemes	6,054	6,848	12,902
	6,054	6,855	12,909

	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

8. Other payments

	2019		
	DB £'000	DC £'000	Total £'000
Premiums on term insurance policies	429	0	429

	2018		
	DB £'000	DC £'000	Total £'000
Premiums on term insurance policies	435	0	435

9. Administrative expenses

	2019		
	DB £'000	DC £'000	Total £'000
Administration and processing	585	78	663
Professional fees	754	110	864
PPF Levy	223	0	223
	1,562	188	1,750

	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

10. Investment Income

	2019 £'000	2018 £'000
Defined benefit section		
Income from bonds	7,622	5,439
Income from pooled investments	16,289	11,744
Interest on cash deposits	11	3
	23,922	17,186

11. Investment Manager Expenses

	2019		
	DB £'000	DC £'000	Total £'000
Administration, management and custody - charged	746	448	1,194
Administration, management - rebated	(999)	0	(999)
	(253)	448	195

	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

The investment manager expenses presented in the DC section relate to the charges met by members for their investments held with Aviva. From 1 September 2018, investment manager expenses are met by members for their investments held with Standard Life through their unit holdings and charges are not recognised separately (Note 13).

The negative value for investment management charges for the defined benefit section reflects rebates to the Fund of charges levied by investment managers. The figure in 2019 has increased significantly from 2018 as it includes a rebate from the Partners Group for £786,000.

12. 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 2019			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Defined Benefit Section				
Bonds	0	1,035,311	0	1,035,311
Equities	2	0	0	2
Pooled investment vehicles	0	605,948	0	605,948
Derivatives	0	(663,191)	0	(663,191)
Other investment balance	3,349	0	0	3,349
Cash	58,851	0	0	58,851
	62,202	978,068	0	1,040,270
AVC investments	0	3,811	530	4,341
Defined Contribution Section				
Pooled investment vehicles and AVC	0	172,332	0	172,332
Cash in transit	0	0	0	0
	0	172,332	0	172,332
	62,202	1,154,211	530	1,216,943

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

13. Reconciliation of investments

	Value at 31.03.18 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31.03.19 £'000
Defined benefit section***					
Bonds	999,122	0	0	36,189	1,035,311
Equities	4	0	0	(2)	2
Pooled investment vehicles	730,090	30,998	(178,589)	23,449	605,948
Derivative contracts	(762,464)	2,071,650	(1,972,377)	0	(663,191)
AVC investments	4,874	62	(801)	206	4,341
	971,626	2,102,710	(2,151,767)	59,842	982,411
Cash	12,018			60	58,851
Other investment balances	2,914			(13)	3,349
	986,558			59,889	1,044,611
Defined contribution section					
Pooled investment vehicles*	157,925	642,372	(635,000)	7,035	172,332
AVC investments**	956	42	(1,019)	21	0
	158,881	642,414	(636,019)	7,056	172,332
Cash in Transit	0				0
	158,881				172,332
Total investments	1,145,439				1,216,943

*Included in the Defined contribution purchases and sales is the transfer of £157.9m from Aviva to Standard Life. Also included in purchases and sales is £459.3m switches within Standard Life and £7.2m switches within Aviva.

**Defined contribution additional voluntary contributions are no longer invested separately from the main fund.

***Defined benefit section: During the year, 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. Further details can be found in the Investment Review on pages 10-13.

14. 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. During the year no direct transaction costs were incurred (2018: £nil).

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

15. Pooled Investment Vehicles

As at 31 March 2019 the Fund's investments in pooled investment vehicles comprised:

	2019 £'000	2018 £'000
Defined Benefit section		
<i>Return Seeking Strategy</i>		
Bonds	75,024	72,426
Equity	54,518	181,743
Structured Credit	100,007	101,787
Hedge Funds ¹	296	430
Diversified credit	134,350	139,460
Direct lending	159,815	149,263
Total return fund ¹	81,938	84,981
Total	605,948	730,090
Defined Contribution section		
<i>Default Funds</i>		
Bonds	18,299	17,364
Equity	6,363	6,467
Cash	2,922	2,657
Diversified growth ¹	143,345	130,779
Total	170,929	157,267
<i>Other Funds ²</i>	1,403	1,614
	172,332	158,881

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.

16.1 Derivatives

At 31 March 2019 the Fund had the following derivatives:

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Repurchase agreements	0	(663,191)	0	762,464
	0	(663,191)	0	762,464

16.2 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 2019 the market value of the securities sold under repurchase agreements was £872.6 (2018: £789.4m).

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 2019 this amounted to £663.2 (2018: £762.5m) plus accrued interest of £1.7m (2018: £2.5m).

Collateral on Repurchase agreements

At 31 March 2019 there was collateral pledged of £29.0m (2018: £18.6m) and collateral held of £nil (2018: £nil) against the difference in valuation between the underlying securities and the repurchases.

17. 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 2019 confirming the amounts held in their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2019 £'000	2018 £'000
The Equitable Life Assurance Society	530	590
Standard Life Assurance Limited	3,811	4,284
	4,341	4,874

18. 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:

	2019 £'000	2018 £'000
Members	171,831	157,900
Trustee	501	981
	172,332	158,881

19. 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.

19.1 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 is 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 2019 the DB Section held 60% of its portfolio in return seeking investments (2018 - 75%) and 40% in liability matching assets (2018 - 25%). 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.

19.1.1 Other Price Risk

Other price risk arises principally in relation to the Fund's return seeking portfolio. As at 31 March 2019, as detailed in the Statement of Net Assets 60% (2018 - 75%) 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.

19.1.2. 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 2019 the liability matching portfolio represented 25% (2018 - 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.

	2019 £'000	2018 £'000
Fixed interest gilts	428,368	420,565
Index linked gilts	606,942	578,446
Repurchase and agreements	(663,191)	(762,464)
Cash and other balances	53,990	10,884
	426,110	247,542

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.

19.1.3. 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 (2018 – 94%).

As at 31 March 2019 the liability matching portfolio represented 40% (2018 - 25%) 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.

19.1.4. 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.

19.1.5 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.

19.2 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

19.2.1 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.

19.2.2 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 94.5% (2018: 95.7%) 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.

20. Capital Commitments

The Fund has the following capital commitments to be made in instalments up until the commitment date:

Investment Manager	Date Commitment due	Commitment Remaining
Alcentra	30/09/2019	£16m
Partners Group	30/06/2020	£70m

21. Current Assets

	2019		
	DB Section £'000	DC Section £'000	Total £'000
Balance at bank	3,093	445	3,538
Contributions	82	0	82
Sundry debtors	134	92	226
	3,309	537	3,846

	2018		
	DB Section £'000	DC Section £'000	Total £'000
Balance at bank	9,544	280	9,824
Contributions	82	0	82
Sundry debtors	136	92	228
	9,762	372	10,134

22. Current Liabilities

	2019		
	DB Section £'000	DC Section £'000	Total £'000
Lloyds Register Group	50	0	50
Benefits Payable	68	445	513
Due to HMRC	483	0	483
Accrued expenses	350	83	433
	951	528	1,479

	2018		
	DB Section £'000	DC Section £'000	Total £'000
Lloyds Register Group	107	0	107
Benefits Payable	43	395	438
Due to HMRC	443	0	443
Accrued expenses	447	63	510
	1,040	458	1,498

23. Employer related investments

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

24. 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 £240,000 for the year ended 31 March 2019 (2018: £316,000). 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 22.

5 members of the Board of the Trustee are contributing members of the Fund and contributions are paid in accordance with the Schedule of Contributions whilst 1 member of the Board is in receipt of a pension from the scheme. 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 2019 was £50,500 (2018: £50,125). The total amount due to Mr Nicholas Godden was £50,125. Arrears will be paid during the year ending 31 March 2019.

25. Taxation

The Fund is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

26. GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Fund is aware that the issue will affect the Fund and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

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 2019 which is set out in the Trustee's Report on page 42.

In our opinion contributions for the Fund year ended 31 March 2019 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... 10.10.19

32. Summary of Contributions

During the year ended 31 March 2019 the contributions payable to the Fund under the Schedule of Contributions were as follows:

	DB Section £'000	DC Section £'000	Total £'000
Employer Normal Contributions	0	15,317	15,317
Employer Deficit Funding Contributions	8,130	0	8,130
Operating Expenses	800	0	800
Survivors' Pension	186	0	186
Bonus Waiver	0	523	523
Employee Normal Contributions	0	1,223	1,223
Employee Additional Voluntary Contributions	60	69	129
Employer Contributions in respect of PPF Levies	223	0	223
Insurance	429	0	429
Total Contributions under Schedule of Contributions	9,828	17,132	26,960
Total Contributions per page 24 of the Financial Statements	9,828	17,132	26,960

Approved on 30/9/2019..... on behalf of the Trustee by:

[Signature redacted]

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

[Signature redacted]

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

Lloyd's Register Superannuation Fund Association (LRSFA)

Chairman's Annual Governance Statement

1 April 2018 to 31 March 2019

Money Purchase Section of LRSFA

1. Introduction

I am pleased to present the Trustee's Statement of Governance, covering the period 1st April 2018 to 31st March 2019, the 2018/19 scheme year ("the Scheme Year").

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,

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 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.

During the Fund Year 1 April 2018 to 31 March 2019 the Trustee completed the switch of the Administrator and Investment Manager of the LRSFA DC Section from Aviva to Standard Life as the provider of these services. This was finalised 1 September 2018 which saw the Annual Management Charge (AMC) of all of the fund range on offer to members reduced.

The default arrangement has an AMC of 0.41% and was reviewed against the Charge Cap regulation and was confirmed to be within the regulations of this. This was a reduction of 5 basis points from 2018. Furthermore during the year the scheme announced there would be a change to the default fund which would be implemented in May 2019, the following scheme year. This would see The LR SL SLI Global Absolute Return Strategies (GARS) being removed and also no longer available as a self-select fund. With any money currently invested in this fund being transferred to the LR SL BlackRock Market Advantage Pension Fund.

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. As part of this monitoring, all financial transactions are measured against a service level agreement (SLA) put in place between the scheme and the administrator.

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 2018 to 31 March 2019) within the agreed SLA and demonstrated to the Trustee on a quarterly basis.

4. Assessment of member-borne charges and transaction costs

4.1 Level of member-borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members in this Statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs. This is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. The stated charges exclude administration costs since these are not met by members.

The Trustee is also required to disclose the level of any transaction costs. These are incurred when the Plan's investment managers buy and sell assets within funds but are exclusive of any costs incurred when members invest in and switch between funds. The charges and transaction costs have been supplied by KPMG, the Plan's investment managers, appointed investment platform provider. When preparing this section of the statement the Trustee has taken account of statutory guidance

FUND	TER (%)	Transaction Cost (%)
LR Adventurous	0.41	0.05
LR Diversified Growth	0.83	0.97
LR Emerging Markets Equity	0.55	0.49
LR Fixed Income	0.21	-0.02
LR Global Equity - Active	0.58	0.11
LR Moderate	0.40	0.08
LR Pre Retirement	0.22	0.06
LR Property	0.31	0.50
LR SL BlackRock ACS 50:50 Global Equity Tracker	0.23	-0.05
LR SL BlackRock Cash	0.27	0.00
LR SL BlackRock Market Advantage	0.52	0.01
LR SL Blackrock ACS 30:70 Global Equity Tracker (Hedged)	0.31	0.02
LR SL SLI Global Absolute Return Strategies	0.84	0.12
LR SL iShares Index Linked Gilt Index	0.20	0.09
LR SL iShares Over 15 Year Gilt Index	0.20	0.07
LR SL iShares UK Equity Index	0.23	0.25
LR Standard Life Long Corporate Bond	0.22	-1.21
LR Sustainable Investments	0.30	0.00

Over the course of the Scheme Year investments were switched from Aviva to Standard Life, however the transaction costs stated above are solely based on data provided by Standard Life. The transaction costs are based on those experienced within the LR blended funds since these were set up in September 2018, plus transaction costs experienced within the underlying funds which were invested in for the full Scheme Year. Where the transaction cost is a negative number, this means the returns on the fund have been positively affected by the transaction costs.

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. This is also an increase in weighted score from the last assessment. With specific improvement within the Governance of the scheme, education and engagement.

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, currently 0.41% which reduced further after the scheme 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,
- Members have access to Salary Exchange and the full employer National Insurance saving is passed back to the member through additional salary;
- 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.

5. Trustee knowledge and understanding

The Trustee's own knowledge and understanding (TKU), 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 each scheme year the Trustee's meet for a full day training session covering a specific topic, in 2018-19 the Trustee board met to gain a better understanding of investment knowledge and how the LRSFA specific investment strategy works and is aligned to the Statement of Investment Principles

All the key documents and policies relating to the Scheme including its Trust Deed and Rules and Statement of Investment Principles, are kept electronically, are kept up to date and are available to the Board for reference at all times, and consulted as necessary, including during meetings. The Trustee reviews all documents setting out the Trustee's current policies as appropriate to ensure they have a good working knowledge of these documents.

After the completion of the scheme year the Trustee Board carried out an effectiveness review, which will see it carry out an annual Board effectiveness assessment. This involved each of the Board members completing a questionnaire which is reviewed by the scheme secretary and responses from the questionnaire fed back into future meeting to achieve greater effectiveness.

The Trustee board have also kept their TKU up to date from attendance at a number of training sessions/seminars, both during board meetings as well as externally run sessions by advisors of the scheme.

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 adopting an enhanced training schedule.

[Signature redacted]

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

APPENDIX

Illustrations of the effect of costs and charges

Background

The next few pages contain the required illustrations about the cumulative effect of costs and charges on member savings within the Scheme over a period of time. The illustrations have been prepared having regard to statutory guidance.

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

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future. This means that the information contained in this Chair's Statement is not a substitute for the individual and personalised illustrations which are provided to members each year by the Scheme.

Key points to note

The tables below illustrate the potential impact that costs and charges might have on different investment options provided by the Scheme. Not all investment options are shown - the Trustee has chosen illustrations which it believes will provide an appropriate representative sample of the different investment choices that members can make.

In each of the illustrations, the "Before charges" column gives the hypothetical value of the investments if members were able to invest in funds at no cost. However, there will always be some cost to investing. This is because the organisations which manage the funds charge fees for their services, and also because buying and selling the stocks and shares which drive the funds' performance also has a cost. The "After all costs and charges deducted" column reflects the performance of the funds after these costs have been deducted.

In the illustrations, we have shown the projections for the following:

1. The default lifestyle strategy
2. The fund with the highest charges (LR Diversified Growth)
3. The fund with the lowest charges (LR Standard Life Long Corporate Bond)
4. The fund with the highest expected return (LR SL BlackRock ACS 50:50 Global Equity Tracker)
5. The fund with the lowest expected return (LR SL BlackRock Cash)

Member projections – the default lifestyle arrangement

The table below sets out how the pension pot of members currently aged 22 and 44 will increase over time, with and without charges. Please see the Notes below for more details.

Active member – ongoing contributions assumed invested in the default lifestyle strategy				
	22-year-old member		44-year-old member	
Years from 31/3/19	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	2,969	2,962	50,908	50,705
3	9,175	9,114	75,778	74,981
5	15,760	15,582	101,956	100,253
10	34,031	33,248	172,718	167,006
15	55,212	53,276	248,734	236,190
20	79,766	75,983	322,116	300,899
21	85,128	80,876	335,905	312,815
25	108,190	101,677		
30	139,744	129,187		
35	173,325	157,062		
40	204,548	181,763		
43	220,540	193,842		

NOTES

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
 2. Retirement is assumed to be at age 65.
 3. The starting pot size is assumed to be zero for the 22 year old member and £39,000 for the 44 year old member.
 4. Inflation is assumed to be 2.5% each year.
 5. Gross contributions for the 22 year old member are assumed to be £2,925 each year, this is based on a salary of £22,500 and total contributions of 13%. The 44 year old member is assumed to contribute £10,580 each year, this is based on an average salary of £46,000 and total contributions of 23%. Contributions are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
 6. Values shown are estimates and are not guaranteed.
 7. The projected growth rates (gross of fees, reduced for inflation) for the default strategy at various periods to retirement are:
 - 3.0% for periods up to 20 years to retirement
 - 2.7% when a member is 15 years from retirement
 - 2.4% when a member is 10 years from retirement
 - 1.6% when a member is 5 years from retirement
 - 0.8% when a member is at their retirement age
- The projected growth rate is not shown for every period to retirement above. The projected growth rate which would apply at a point in time is the weighted average of the underlying funds held by the member.
8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

Individual fund projections – the funds with the highest and lowest charges

22 year old member				
Years from 31/3/19	LR Diversified Growth		LR Standard Life Long Corporate Bond	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	2,947	2,921	2,925	2,939
3	8,974	8,736	8,775	8,906
5	15,183	14,517	14,625	14,991
10	31,539	28,819	29,250	30,739
15	49,160	42,909	43,875	47,283
20	68,142	56,792	58,500	64,662
25	88,591	70,469	73,125	82,919
30	110,621	83,944	87,750	102,097
35	134,353	97,220	102,375	122,244
40	159,920	110,299	117,000	143,409
43	176,198	118,054	125,775	156,617

44 year old member				
Years from 31/3/19	LR Diversified Growth		LR Standard Life Long Corporate Bond	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	50,244	49,448	49,580	50,018
3	73,241	70,252	70,740	72,384
5	96,932	90,932	91,900	95,194
10	159,342	142,095	144,800	154,226
15	226,575	192,503	197,700	216,239
20	299,004	242,166	250,600	281,384
21	314,148	252,010	261,180	294,802

The tables above show the projected pots for a member aged 22 and a member aged 44 invested in the above funds. The LR Diversified Growth Fund has the highest charges of all funds available, while the LR Standard Life Long Corporate Bond Fund has the lowest charges of all funds available. Please read the Notes below for more details around the assumptions used.

Please note that that the projections for the LR Standard Life Long Corporate Bond Fund are higher after all costs and charges have been deducted compared to before charges. This is due to the negative transaction costs having a positive impact on this fund.

Individual fund projections – the funds with the highest and lowest expected returns

22 year old member				
Years from 31/3/19	LR SL BlackRock ACS 50:50 Global Equity Tracker		LR SL BlackRock Cash	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	2,983	2,980	2,910	2,906
3	9,312	9,286	8,644	8,609
5	16,156	16,083	14,264	14,167
10	35,813	35,476	27,828	27,457
15	59,729	58,862	40,728	39,923
20	88,826	87,062	52,995	51,617
25	124,227	121,069	64,661	62,587
30	167,297	162,076	75,756	72,877
35	219,699	211,525	86,307	82,529
40	283,454	271,154	96,340	91,584
43	328,159	312,672	102,123	96,746

44 year old member				
Years from 31/3/19	LR SL BlackRock ACS 50:50 Global Equity Tracker		LR SL BlackRock Cash	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	51,350	51,268	49,137	49,017
3	77,550	77,225	69,108	68,671
5	105,889	105,201	88,681	87,828
10	187,270	185,031	135,928	133,631
15	286,282	281,295	180,858	176,597
20	406,745	397,378	223,587	216,901
21	433,804	423,317	231,878	224,657

The tables above show the projected pots for a member aged 22 and a member aged 44 invested in the above funds. The LR SL BlackRock ACS 50:50 Global Equity Tracker Fund has the highest expected returns of all funds available, while the LR SL BlackRock Cash Fund has the lowest expected returns of all funds available. Please read the Notes below for more details around the assumptions used.

Notes on member illustrations

1. The illustrations show the how the pots grow for a 22 year old member (when a member would be auto-enrolled) and a 44 year old member (which is the average age of Scheme members). The projections are to age 65 (i.e. in 43 and 21 years' time respectively).
2. The starting pot size for the 22 year old member is assumed to be zero, which is the expected starting pot for a member who has just been auto-enrolled into the Scheme. For the member aged 44, we have used the median sized pot which is currently £39,000.
3. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
4. Inflation is assumed to be 2.5% each year.
5. For the 22 year old member, the illustrations assume ongoing contributions of £2,925 each year; this is based on a salary of £22,500 and total contributions of 13%. For the 44 year old member, the illustrations assume ongoing contributions of £10,580 each year; this is based on an average salary of £46,000 and total contributions of 23%.
6. Salary is assumed to increase each year at the same rate as inflation.
7. Values shown are estimates and are not guaranteed.
8. Transaction costs are based on data provided by Standard Life.
9. The projected growth rates (gross of fees, reduced for inflation) for each fund are shown in the table below. These are consistent with the rates used in the Statutory Money Purchase Illustration (SMPI) Assumptions when preparing the annual benefit statements.

Fund	Return assumption above inflation (p.a.)
LR Diversified Growth	1.5%
LR Standard Life Long Corporate Bond	0.0%
LR SL BlackRock ACS 50:50 Global Equity Tracker	4.0%
LR SL BlackRock Cash	-1.0%

Lloyd's Register Superannuation Fund Association

Statement of Investment Principles ("SIP")

[Adopted with effect from: 29 May 2019]

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.

Financially Material Considerations and Stewardship Policy

The Trustee has considered all financially material considerations over the appropriate time horizon of the investments. This includes how those considerations are taken into account in the selection, retention and realisation of investments. The Trustee has decided that there are no non-financial matters which fund managers need to be instructed to take into account in the selection, retention and realisation of investments

The Trustee has also considered how to exercise the rights (including voting rights) attaching to the investments, and how to undertake engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters), i.e. stewardship.

Details of how risks and financially material considerations have been addressed and managed by the Trustee are outlined in Appendix C.

All decisions about the day-to-day management of the assets, including the above considerations, have been delegated to the investment managers via a written agreement. The Trustee takes investment managers' policies in the above respects into account when selecting and monitoring managers. The investment managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

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 + 2.3% p.a. subject to a target level of risk of £100m or less 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. Two of the Fund's mandates are managed via a segregated arrangement. 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 Dependents.

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. A further review was conducted over 2018 on the back of which a number of enhancements were made. Details of the default lifestyle strategy are shown in Appendix B.

The Fund provides investment options sourced through an insurance policy with Standard Life, 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 wider range of funds which are expected to match the risk/reward profile of the majority of members. 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.

Signed: *[Signature redacted]* Name (Print):

Date: *18th Sept 2019*

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

Signed: *[Signature redacted]* Name (Print):

Date: *18th September 2019*

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) ⁽¹⁾
Equity	Passive global equities	4%	2% - 6%	4.0%
Credit	Buy and maintain corporate bonds	19%	17% - 21%	1.2%
	Diversified credit	13%	11% - 15%	2.5%
	Direct lending	20%	16% - 24%	4.0%
	Semi-liquid credit	10%	8% - 12%	3.5%
	Collateralised Loan Obligations ("CLOs")	12%	10% - 14%	2.0%
Liability hedging	Liability Driven Investment ("LDI")	22%	18% - 26%	0%
Cash		-	0% - 5%	n/a
Total		100%		

(1) Expressed relative to the yield on fixed interest gilts (the annual yield at the 10-year tenor on the Bank of England spot curve). This yield was 1.0% at 31 March 2019. 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 and segregated accounts 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	4%
Legal & General Investment Management ("LGIM")	Buy and maintain corporate bonds	Partially active (buy and maintain)	19%
M&G Investments	Diversified credit	Active	7%
Pacific Investment Management Company ("PIMCO")	Diversified credit	Active	6%
Alcentra Limited	Direct lending	Active	20%
Partners Group AG	Direct lending	Active	
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 March 2019).
- (2) Most of the Fund's current mandates are invested via pooled funds. The only exceptions are Schroders LDI and LGIM buy and maintain corporate bonds which are segregated mandates and the direct lending funds which are limited partnerships.
- (3) The DB Section has committed £103 million of capital to the Alcentra Fund, £66m of capital to the Partners Group 2015 Fund and £100m to the Partners Group 2018 Fund.
- (4) The Alcentra Fund draws down the capital commitment over its investment period, due to end on 30 September 2019. After this date, Alcentra will no longer recycle capital into new investments, however they may still call capital for top-up investments into existing holdings, cover obligations to currency hedging and other obligations.
- (5) LGIM buy and maintain corporate bonds mandate is due to be funded over the summer 2019. Until such time, a proportion of the Fund's assets is continued to be managed by Aberdeen Standard Investments in the UK Corporate Bond Fund.

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 Net Tax (UKPN) Index	To track the benchmark	0.15%
M&G Alpha Opportunities Fund	1 Month 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 Index; 1/3 BofA Merrill Lynch Global High Yield BB-B Rated constrained Index; 1/3 JP Morgan EMBI Global Index; all GBP hedged	To outperform the benchmark by 0.75% - 1.25% p.a. (gross of fees)	0.69% on the first £75m, 0.64% on between £75m-£150m, 0.60% on above £150m
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% subject to return hurdle of 5% p.a.
Partners Group Private Market Strategies S.A. - Compartment 2015 (VI) Fund	3 Month UK GBP LIBOR	To outperform the benchmark by 4% - 6% (net of fees) over the Fund lifetime	Base: 0.80% Performance: 8% subject to return hurdle of 4% p.a.
Partners Group Private Market Strategies 2018 (GBP) S.C.A., SICAV-RAIF Fund	3 Month UK GBP LIBOR	To outperform the benchmark by 4% - 6% (net of fees) over the Fund lifetime	Base: 0.80% Performance: 8% subject to return hurdle of 4% p.a.
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 and buy and maintain corporate bonds mandate objective and fees

Mandate	Benchmark	Target interest rate and inflation hedge	Fees (% p.a.)
LGIM buy and maintain corporate bonds mandate	N/A	Seek to capture the return received from taking credit risk and liquidity risk.	0.12% on the first £150m; 0.11% on assets over £150m
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. Schroders will adjust the Hedge Benchmark to take into account the sensitivities of the buy and maintain corporate bonds mandate.

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

The Trustee currently makes available a range of pooled funds to members. All of these funds are currently set up as “white-labelled” funds. This means that changes can be made to the underlying funds underneath the “white-label” whilst the overall fund that a member is invested in remains the same. The first table below sets out the range of “white-labelled” funds that are a combination of more than one underlying fund. The second table below sets out the range of funds that only have one underlying fund within the white-label. The Fund Charge quoted represents the latest available fees as at the date the SIP was agreed.

Blended white label fund range

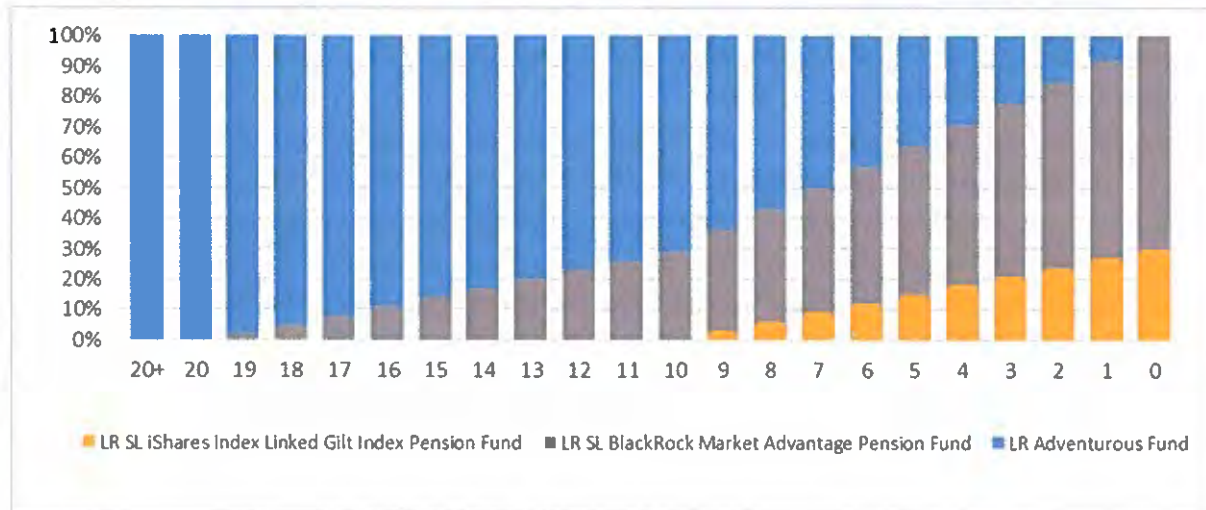
	DGF	Overseas Equity (passive)	UK Equity (passive)	Corporate Bonds (active)	Index-linked Gilts (passive)	Emerging Market Equity (passive)	Emerging Market Equity (active)	Cash	TER (p.a.)
LR Emerging Markets Equity Fund	-	-	-	-	-	50%	50%	-	0.55%
LR Adventurous Fund	30%	42%	21%	-	-	7%	-	-	0.30%
LR Moderate Fund	30%	18%	9%	20%	20%	3%	-	-	0.38%
LR Fixed Income Fund	-	-	-	50%	50%	-	-	-	0.21%
LR Pre Retirement Fund	-	-	-	-	75%	-	-	25%	0.22%

Single fund white label fund range

White Label Name	Underlying Fund	Benchmark	Fund Charge (% p.a.)
LR Global Equity - Active	SL Newton Global Equity Pension Fund	MSCI AC World Total Return (net) GBP index	0.58%
LR SL BlackRock ACS 50:50 Global Equity Tracker Pension Fund	SL BlackRock ACS 50:50 Global Equity Tracker Pension Fund	FTSE Custom Composite UK All-Share 50% Dev Europe ex UK 16.7% US 16.7% Japan 8.3% Dev Asia Pacific ex Japan 8.3% Midday (12:00 UK) Net Tax (UK Pension) Index	0.23%
LR SL Blackrock ACS 30:70 Global Equity Tracker (Hedged) Pension Fund	SL Blackrock ACS 30:70 Global Equity Tracker (Hedged) Pension Fund	60% FTSE Developed Ex UK Total Return (Hedged to GBP) index; 30% FTSE All-Share Total Return GBP index; 10% MSCI Emerging Markets Total Return GBP index	0.23%
LR SL iShares UK Equity Index Pension Fund	SL iShares UK Equity Index Pension Fund	FTSE All-Share Total Return (net) GBP index	0.23%
LR Diversified Growth	SL Schroder ISF Global Diversified Growth Hedged Pension Fund	CPI + 5% p.a.	0.77%
LR SL BlackRock Market Advantage Pension Fund	SL BlackRock Market Advantage Pension Fund	3 Month GBP LIBOR + 3.5% p.a.	0.52%
LR Standard Life Long Corporate Bond Pension Fund	Standard Life Long Corporate Bond Pension Fund	Markit iBoxx GBP Non-Gilt 10+ Year Total Return GBP index	0.22%
LR SL iShares Over 15 Year Gilt Index Pension Fund	SL iShares Over 15 Year Gilt Index Pension Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Total Return GBP index	0.21%
LR SL iShares Index Linked Gilt Index Pension Fund	SL iShares Index Linked Gilt Index Pension Fund	FTSE Actuaries UK Index-Linked Over 5 Years Total Return GBP index	0.21%
LR Sustainable Investments	SL Vanguard SRI Global Stock Pension Fund	FTSE Developed Total Return (net) GBP index	0.30%
LR Property Fund	Standard Life Property Pension Fund	ABI (Pension) UK Direct Property sector	0.31%
LR SL BlackRock Cash Pension Fund	SL BlackRock Cash Pension Fund	LIBID GBP 1 Week	0.26%

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
LR Pre-2015 5 Year Strategy	<ul style="list-style-type: none"> • 100% LR Adventurous Fund, gradually switching into LR Fixed Income Fund beginning 5 years from retirement. • LR SL BlackRock Cash Pension Fund introduced 3 years from retirement. • Asset allocation at retirement 75% fixed income assets and 25% cash.
LR Pre-2015 10 Year Strategy	<ul style="list-style-type: none"> • 100% LR Adventurous Fund, gradually switching into LR Fixed Income Fund beginning 10 years from retirement. • LR SL BlackRock Cash Pension Fund introduced 3 years from retirement. • Asset allocation at retirement 75% fixed income assets and 25% cash.
LR Pre-2015 15 Year Strategy	<ul style="list-style-type: none"> • 100% LR Adventurous Fund, gradually switching into LR Fixed Income Fund beginning 15 years from retirement. • LR SL BlackRock Cash Pension Fund introduced 3 years from retirement. • Asset allocation at retirement 75% fixed income assets and 25% cash.

Appendix C – Risks and Financially Material Considerations

A non-exhaustive list of risks and financially material considerations 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.

Environmental, Social and Governance risk

- Management of the Scheme assets with regard to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.

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.

