# LLOYDS REGISTER SUPERANNUATION FUND ASSOCIATION (LRSFA)

## Report and Financial Statements for the year ended 31 March 2022

Scheme Registration No: 100145126

XPS Administration

Priory Place, New London Road, Chelmsford CM2 0PP

XPS Administration is a trading name of XPS Administration Limited
Registered No. 9428346. Registered Office: Phoenix House, 1 Station Hill, Reading RG1 1NB

Part of XPS Pensions Group

## TABLE OF CONTENTS


| | |
|---|---|
| Trustee and Advisers | 2 |
| Trustee's Report | 4 |
| Investment Report | 8 |
| Report on Actuarial Liabilities | 12 |
| Actuary's Certificate of Schedule of Contributions | 14 |
| Schedule of Contributions | 15 |
| Recovery Plan | 18 |
| Statement of Trustee's Responsibilities | 19 |
| Independent Auditor's Report | 20 |
| Fund Account | 23 |
| Statement of Net Assets (Available for benefits) | 24 |
| Notes to the Financial Statements | 25 |
| Independent Auditor's Statement about Contributions | 43 |
| Summary of Contributions paid in the year | 44 |

**Appendix**

Implementation Statement

Chairman's Statement

## TRUSTEE AND ADVISERS

| | | |
|---|---|---|
| ***Trustee:*** | Lloyd's Register Superannuation Trustees Limited<br>71 Fenchurch Street<br>London EC3M 4BS | |
| ***Trustee Directors:*** | ***Chairman*** | |
| | Mr N Godden | |
| | ***Nominated by Lloyd's Register Group Ltd*** | |
| | Mr J Kleinot | |
| | Mr J Turner | (Appointed 23 February 2022) |
| | Mr D Wagstaff | |
| | Mrs D Warrener | (Appointed 1 September 2022) |
| | Mr N Williams | (Resigned 28 February 2022) |
| | ***Member Nominated Trustee Directors*** | |
| | Mr D Cronin | |
| | Mr M Johnson | (Appointed 4 May 2022) |
| | Mrs R Willson | |
| ***Secretary to the Trustee:*** | Mrs E Thomas<br>71 Fenchurch Street<br>London EC3M 4BS | |
| ***Actuary:*** | Mr David Jones<br>Lane Clark & Peacock LLP | |
| ***Auditor:*** | Crowe U.K. LLP | |
| ***Legal Advisers:*** | Hogan Lovells International LLP | |
| ***Investment Advisers:*** | ISIO – For both the DB and DC sections | |
| ***Bankers:*** | National Westminster Bank PLC<br>Barclays Bank plc | |
| ***Investment Managers:*** | ***Defined Benefit Section:*** | |
| | abrdn Life and Pensions Limited (formerly Aberdeen Standard Investments) | |
| | Alcentra | |
| | Apollo Investment | |
| | Barings | (Until December 2021) |
| | Legal and General Investment Management Ltd | |
| | M&G Investments | |
| | Partners Group | |
| | PIMCO | (Until December 2021) |
| | Schroders | |
| | ***Defined Contribution Section:*** | |
| | Standard Life | |

**TRUSTEE AND ADVISERS (continued)**

| | |
|---|---|
| ***Custodians:*** | BNY Mellon |
| ***Administrators:*** | ***Defined Benefit Section:***<br>XPS Administration Limited<br><br>***Defined Contribution Section:***<br>Standard Life |
| ***Sponsoring Employer:*** | Lloyd's Register Group Ltd<br>71 Fenchurch Street<br>London  EC3M 4BS |

## TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2022

***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 Trustee of the Fund. All enquiries regarding the Fund should be addressed to the Secretary at the address of the Trustee shown on page 2.

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

The Trustee Directors during the year are disclosed on page 2.

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 committees convened four times in the year. The Discretions subcommittee convened monthly.

Mr S Nice stood down as an Employer Nominated Trustee in the prior year, Julian Turner was appointed on 28 February 2022 as an Employer Nominated Trustee.

Mr C Colby-Blake stood down as a Member Nominated Trustee. The Annual General Meeting (AGM) was rescheduled a number of times due to the ongoing COVID-19 pandemic meaning that an election in accordance with Rule D24 could not take place. Finally, on the 4 May 2022 an AGM took place and Michael Johnson was appointed as Member Nominated Trustee.

Mr N Williams stood down as an Employer Nominated Trustee on the 28 February 2022, Mrs D Warrener was appointed on 1 September 2022 as an Employer Nominated Trustee.

***Membership of the Fund***

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

| | **Active*** | **Deferred**** | **Pensioner** | **Dependent** | **Total** |
|---|---|---|---|---|---|
| **As at 1 April 2021** | **1,432** | **3,633** | **1,707** | **460** | **7,232** |
| Prior Year Adjustments | - | (4) | -1 | 11 | 10 |
| **Revised as at 1 April 2021** | **1,432** | **3,629** | **1,717** | **471** | **7,242** |
| New Joiners | 240 | - | - | - | 240 |
| Leavers | (695) | 695 | - | - | (12) |
| Transfers Out/Refunds | (29) | (76) | - | - | (91) |
| Deaths | (1) | (7) | (65) | - | (67) |
| New Pensioners | (12) | (93) | 78 | 21 | 73 |
| Recommencements/Adjustments | (1) | - | - | (2) | (9) |
| **Net Movements** | **(498)** | **517** | **13** | **19** | **134** |
| **31 March 2022** | **934** | **4,146** | **1,719** | **490** | **7,376** |

In addition, allowances were paid to 2 children (2021: 4).

* Members in service includes 118 (2021: 199) members who have protected past service rights under the fund following the closure of the DB Section in 2010.

** Deferred members include 2,204 (2021: 2,157) members who have protected past service rights under the fund following the closure of the DB Section in 2010.

**TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2022 (continued)**

***Eligibility***

Employees joining the 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.

***Pension Reviews***

Pensions in payment that contained an element deriving from Post 6 April 1997 service was increased by 4.9% from 1 April 2022 (2021: 1.1%). 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 was a discretionary increase of 1% awarded in the year for Pre-6 April 1997 service elements in excess of GMP.

***Additional Voluntary Contributions (AVCs)***

Contributions into Standard Life and Aviva AVCs policies were closed to new members on 1st September 2018. Members who were contributing on 31 August 2018 were able to continue to contribute into their 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 Utmost Life with-profits fund are closed to new members but remain part of the member's benefits. Members are kept informed of developments regarding Utmost Life & Standard Life.

***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. No discretionary benefits are included.

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 Utmost Life (formerly 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 funds 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 a 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.

**TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2022 (continued)**

***Benefit/Fund Changes***

There were no changes to benefits under the Fund during the year.

***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.

***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.

***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.

**Going concern**

The Trustee of the Fund have made an assessment on going concern and given the funding position and the support from the Sponsoring Employer, the Trustee concludes that the Fund retains sufficient liquidity that the going concern basis remains appropriate for the foreseeable future and at the very least for the next twelve months.

***Financial Development of the Fund***

Changes in the Fund's net assets during the year were as follows:

| | £'000s |
|---|---|
| Net assets at 31 March 2021 | 1,303,534 |
| Net withdrawals from dealings with members | (28,883) |
| Net returns on investments | 41,495 |
| Net assets at 31 March 2022 | 1,316,146 |

The financial statements for the year have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

***Enquiries***

All enquiries about the Fund and individual benefit entitlements should be addressed to the Fund Trustee:

c/o XPS Administration Limited
Priory Place
New London Road
Chelmsford CM2 0PP

Email: lrsfa@xpsplc.com

**TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2022 (continued)**

***MoneyHelper***

MoneyHelper provides pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities: The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service. MoneyHelper can be contacted at:

MoneyHelper
Holborn Centre
120 Holborn
London, EC1N 2TD

Tel: 0800 011 3797
Email: pensions.enquiries@moneyhelper.org.uk
Website: www.moneyhelper.org.uk

***Pensions Ombudsman***

If a member has a complaint against the Fund that has not been resolved to his or her satisfaction through the Fund's Dispute Procedure, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustee or Fund administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London, E14 4PU

Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

***The Pensions Regulator (tPR)***

The Pensions Regulator can intervene if they consider that a scheme's trustees, advisers, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Napier House
Trafalgar Place
Brighton BN1 4DW

Tel: 0345 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

***The Pension Scheme Registry***

The Fund is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 100145126. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton WV98 1LU

Tel: 0800 731 0193
Website: www.gov.uk/find-lost-pension

## INVESTMENT REPORT

### *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.

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

There is a requirement for most trust-based defined benefit (DB) and defined contribution (DC) pension schemes to produce an annual Implementation Statement which covers the Fund year. The Implementation Statement sets out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (SIP) during the year and the policies set out in the SIP, as well as details of any review of the SIP and an explanation of any changes made to the SIP during the year. The Implementation Statement, covering the period 1 April 2021 to 31 March 2022, is enclosed within this Annual Report in Appendix 3.

## INVESTMENT REPORT (continued)

### *Investment managers*

As at 31 March 2022 the investments of the Defined Benefit Section were managed as follows:

| Manager | Investments Managed | 31/03/2022 Actual % of total portfolio managed | 31/03/2022 Expected % range of asset portfolio | 31/03/2021 Actual % of total portfolio managed | 31/03/2021 Expected % range of asset portfolio |
|---|---|---|---|---|---|
| Alcentra | Direct Lending | 4.4 | n/a | 5.8 | n/a |
| Partners Group | Direct Lending | 9.3 | | 11.7 | |
| Barings | Collateralised Loan Obligations | 0.0 | 8-12 | 9.4 | 8-12 |
| L&G | Buy & Maintain Credit | 28.5 | 26-34 | 31.6 | 26-34 |
| PIMCO | Diversified Credit | 0.0 | 5-9 | 7.5 | 5-9 |
| Apollo | Semi-Liquid Credit | 7.5 | 8-12 | 7.7 | 8-12 |
| Schroders | Liability Driven Investments | 50.3 | 29-37 | 26.3 | 29-37 |

Actual percentage of portfolio reflects only the assets held by the above managers but excludes any money in the Trustee bank account and AVCs. May not sum due to rounding. As the Direct Lending investments pay out, the allocation to Liability Driven Investment with Schroders and Semi-Liquid Credit with Apollo will move closer in line with the target rate. The Statement of Investment Principles containing a new strategic asset allocation was signed in April 2022.

Transitions to the new strategy (outlined in the SIP signed in April 2022) were agreed to by the Trustee in Q4 2021 so the actual strategy is in line with the SIP signed in April 2022 rather than the one in place at the end of the Fund year.

### *Other investment decisions*

The Trustee de-risked the investment strategy over the year; fully disinvesting from the PIMCO Diversified Credit fund and the Barings Collateralised Loan Obligations fund in December 2021 and transferring the proceeds into the Schroders Liability Driven Investment funds. Interest and inflation hedging was increased from 94% on a Technical Provisions basis to 100% on a Gilts + 0.5% p.a. basis over the year.

In Q4 2021 the Fund received a payment of £12m from the Employer from the sale of the Sponsor's Business Assurance and Inspection Services business. This payment was made into the Trustee bank account.

**INVESTMENT REPORT (continued)**

***Performance – Defined Benefit Section***

The investment managers have specific performance benchmarks. The Fund's performance against these benchmarks for the year ended 31 March 2022 was:

| Manager | Benchmark Return % | LRSFA Return % | Difference % |
|---|---|---|---|
| **Fixed Income Managers** | | | |
| PIMCO - Diversified Credit * | 2.7% | 2.1% | -0.9% |
| L&G – Buy & Maintain Credit | -6.3% | -7.4% | -1.1% |
| **Alternative Managers** | | | |
| Alcentra – Direct Lending | 0.3% | 11.9% | 11.6% |
| Apollo – Semi-Liquid Credit | 0.3% | 2.1% | 1.8% |
| Barings (Babson) – Collateralised Loan Obligations * | 0.1% | 1.5% | 1.4% |
| Partners Group – Direct Lending 2015 | 0.3% | 22.6% | 22.3% |
| Partners Group – Direct Lending 2018 | 0.3% | 6.4% | 6.1% |
| Schroders – Liability Driven Investments | 16.7% | 16.7% | 0.0% |

Benchmarks are manager specific except for Alcentra and Partners Group which are compared against 3month LIBOR. Excludes Bluecrest, Schroders cash fund and the Trustee bank account.

*PIMCO and Barings performance to December 2021 when the Fund fully disinvested.

The assets of LRSFA's Defined Benefit section performed positively during the year and longer time periods, outperforming the benchmark and remaining ahead of inflation. The majority of the growth managers outperformed their benchmarks over the year despite a volatile market environment.

The L&G Buy & Maintain Credit was the only mandate to underperform its benchmark over the year, and due to the high allocation in the portfolio this resulted in the Fund slightly underperforming its benchmark in the period.

| Aggregate Performance over | 1 year % | 3 years % | 5 years % |
|---|---|---|---|
| Fund | 2.2 | 4.2 | 5.1 |
| Benchmark | 2.4 | 2.4 | 3.5 |

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

## INVESTMENT REPORT (continued)

### *Performance – Defined Contribution Section*

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

The value of DC assets for members in this section held within these funds and fund performance for the year end 31 March 2022 is as follows:

| **Fund Name** | Current Value (£) | Allocation (%) | Performance Benchmark (%) |
|---|---|---|---|
| Default and self-select range | | | |
| LR Adventurous Fund | 159,226,298 | 67.4 | 10.1 (9.9) |
| LR Diversified Growth Fund | 36,551,823 | 15.5 | 2.1 (3.6) |
| LR Fixed Income Fund | 3,571,359 | 1.5 | -2.0 (-1.5) |
| LR SL BlackRock Cash Pension Fund | 2,679,796 | 1.1 | 0.3 (0.0) |
| LR SL iShares Index Linked Gilt Index Pension Fund | 7,130,373 | 3.0 | 3.5 (4.8) |
| LR Global Equity Fund | 6,067,375 | 2.6 | 13.8 (12.6) |
| LR Emerging Markets Equity Fund | 567,461 | 0.2 | -4.0 (-3.6) |
| LR Sustainable Investments | 3,164,374 | 1.3 | 12.7 (13.3) |
| LR SL iShares UK Equity Index Pension Fund | 898,428 | 0.4 | 13.0 (13.0) |
| LR Property Fund | 670,147 | 0.3 | 24.0 (14.8) |
| LR Moderate Fund | 391,029 | 0.2 | 3.9 (4.5) |
| LR SL iShares Over 15 Year Gilt Index Pension Fund | 79,209 | 0.0 | -8.0 (-7.2) |
| LR SL Long Corporate Bond Pension Fund | 106,481 | 0.0 | -7.5 (-7.6) |
| **Total default and self-select range** | | | |
| Pre-2015 lifestyle strategies* | 14,964,002 | 6.3 | |
| **Trustee Unallocated Funds** | | | |
| LR Global Equity Active Fund | 58,478 | 0.0 | |
| LR SL BlackRock Cash Pension Fund | 49,629 | 0.0 | |
| **Total assets** | **236,176,262** | | |

*The Pre-2015 lifestyle strategies contain multiple lifestyling funds, so fund performance is not included.

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 default is called Flexible Retirement Strategy. More information can be found on the Pensions website www.lrpensionport.co.uk. As at 31 March 2022, 91.7% (2021: 91.0%) of Defined Contribution Section members were invested using the Lifestyle Option.

The Investment Committee monitors the performance of the funds provided by Standard Life with the assistance of ISIO.

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

## 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 Fund members on request.

The most recent full actuarial valuation of the Fund was carried out as at 31 March 2019. This showed that, in the Defined Benefit Section of the Fund, on that date:

- The value of the Technical Provisions was: £1,060 million
- The value of the assets at that date was: £1,043 million
- The value of the deficit was: £17 million

As a result both Lloyd's Register Group Ltd and the Trustee, in conjunction with advice from the Fund Actuary, agreed the following measures, effective from April 2019:-

(a) Past service deficit recovery plan:

- On or before 31 March 2020: £8.13 million
- On or before 31 March 2021: £5.2 million

(b) Future service contribution rates and expenses:

- The Defined Benefit Section of the LRSFA was closed to future accrual on 30 September 2010.
- Contributions payable each year, equal to the LRSFA's operating expenses, the premiums for the life insurance policy and PPF levies.
- In addition the Employer pays a contribution of 0.9% of members' pensionable salaries to cover the 'soft landing' benefits applicable to certain members of the Fund.

(c) 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 within a certain time period, Lloyd's Register Foundation will gift LRSFA £100m. As part of the 31 March 2019 actuarial valuation, this agreement was extended at least until the full actuarial valuation as at 31 March 2022 has been signed and the amount has been increased to £125m.

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 1.0% per annum before 31 March 2029 and 0.5% per annum after 31 March 2029.

***Future Retail Price inflation:*** term dependent rates derived from the gilt market with an average rate of 3.4% per annum.

***Future Consumer Price inflation:*** assumed to be equal to future retail price inflation less an adjustment of 0.7% 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 3.5% per annum. No allowance is made for future discretionary increases.

***Mortality:*** standard tables S3NA with a scaling factor of 100% projected from 2013 in line with the CMI 2018 projections with a long-term annual rate of improvement of 1.5%, a smoothing factor (S) of 7 and an initial additional mortality improvement parameter (A) of 0.5% pa.

**REPORT ON ACTUARIAL LIABILITIES (continued)**

On 26 October 2018, the High Court ruled that schemes must equalise for the effect of Guaranteed Minimum Pensions (GMPs) providing different benefits for men and women (see Note 28 for more details). The Trustee are in the process of assessing the impact on the Fund which will be reflected in future years' accounts.

A High Court judgment in another Lloyds Bank case in November 2020 determined that the requirement to implement GMP equalisation should include past transfers paid out of the Fund. Based on an initial assessment of the likely backdated amounts and related interest the Trustee 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.

**ACTUARY'S CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS**

LCP INSIGHT CLARITY ADVICE

# *Actuary's certification of Schedule of Contributions*

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

Name of scheme: **Lloyd's Register Superannuation Fund Association**

## Adequacy of rates of contributions

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 26 November 2020.

## Adherence to statement of funding principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 26 November 2020.

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]..... | **Date:** | 26 November 2020 |
| **Name:** | Mr J D Jones | **Qualification:** | FIA |
| **Address:** | 95 Wigmore Street<br>London<br>W1U 1DQ | **Name of employer:** | Lane Clark & Peacock LLP |

## Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "can be expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustee's funding assumptions as set out in the Statement of Funding Principles dated 26 November 2020 and the Recovery Plan dated 26 November 2020 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

**SCHEDULE OF CONTRIBUTIONS**

LCP INSIGHT CLARITY ADVICE

# *Schedule of Contributions*

## Lloyd's Register Superannuation Fund Association

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 of 5 years from the date that the Actuary certifies the Schedule. 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.

### Contributions payable to individual Member Accounts in the Money Purchase Section

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 1: 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.

Note 2: The Trustee and LR have agreed alternative contribution rates for certain former members of Senergy Resources Limited, whereby the member does not contribute, and the employer contributes 10% of Basic Salary. Benefits for such members are provided as an augmentation under Rule R10.1(c) of the Trust Deed and Rules.

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

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.

LCP INSIGHT CLARITY ADVICE

## Regular contributions payable by the participating employers to the LRSFA

| Contributions from the employers | |
|---|---|
| Life insurance | Contributions equal to the premiums for the life insurance policy providing cover of 4 times Basic Salary paid on the death of an Active Member in accordance with the Rules. These contributions are payable as and when the premiums fall due. |
| "Soft Landing" benefits | Contributions equal to 0.9% pa of Basic Salaries of Active Members party to a Relevant Agreement (as defined in the Rules) to meet the funding cost of benefits payable in accordance with C3.1.4(b) or C3.1.5(b) of the Rules.<br>These contributions for each Plan year will be due no later than 20 business days after the date on which the relevant Plan accounts are signed. |
| Operational Expenses | Contributions equal to the LRSFA's operating expenses for each Plan year as recorded in the Trustee's audited annual report and accounts.<br>These contributions will be due within 20 business days of the date that the relevant Plan accounts are signed. |
| "Divergence 1" rectification costs associated with corrections made to benefits in 2016 | £2.1m on or before 31 March 2020 (already paid) which is payable from the Escrow Agreement established by deed between LR and the Trustee dated 29 June 2011. |
| 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. Once all of the deficit contributions and Divergence 1 rectification costs in this Schedule of Contributions have been paid to the Plan, no further amounts will be due under clause D11.9. |
| 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 as agreed between LR and the Trustee in specific circumstances, for example to cover any augmentations or any rectification costs associated with correcting divergence between the Plan's administration practices and the benefits payable under the Rules. |

## Deficit contributions

The following deficit contributions are payable to the LRSFA from LR or from the Escrow Agreement established by deed between LR and the Trustee dated 29 June 2011:

| Amount | Payment due dates |
|---|---|
| £6.03m | By 31 March 2020 (paid) |
| £5.2m | By 31 March 2021 |

### 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 26 November 2020. It replaces the Schedule of Contributions dated 30 June 2017 with effect from the date of certification.

### This Schedule of Contributions is agreed:

**on behalf of the Trustees of the LRSFA:**

Signature: ….[redacted]………..

Name: Nicholas Godden

Position: Chair of the Trustee

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

Signature: ..[redacted]…………………

Name: Mary Waldner

Position: CFO, Lloyd's Register Group Limited

# *Recovery Plan*

## Lloyd's Register Superannuation Fund Association

*The actuarial valuation of the Lloyd's Register Superannuation Fund Association ("the LRSFA") as at 31 March 2019 revealed a deficit of £17m.*

*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.*

### 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:

| Amount £m | Payment due dates |
|---|---|
| 6.03 | By 31 March 2020 (paid) |
| 5.2 | By 31 March 2021 |
| Additional contributions due in respect of the "Divergence 1" rectification exercise: | |
| 2.1 | By 31 March 2020 (paid) |

These contributions are payable by LR or from the Escrow Agreement established by deed between LR and the Trustee dated 29 June 2011.

### Period in which the statutory funding objective should be met

The deficit is expected to be eliminated by 31 March 2021. This is based on the method and assumptions set out in the LRSFA's Statement of Funding Principles prepared on 26 November 2020.

The return on existing assets and new contributions during the period are as adopted for the calculation of the technical provisions plus an additional return of 0.2% pa.

### Agreement by the Trustee and the Employer

This recovery plan was prepared on 26 November 2020 and replaces the previous recovery plan dated 30 June 2017.

**Signed on behalf of the Trustee of the LRSFA:**

Signature: ....[redacted]..............

Name: Nicholas Godden

Position: Chair of the Trustee

**Signed on behalf of the Lloyd's Register Group Limited and the other participating employers:**

Signature: ..[redacted]....................

Name: Mary Waldner

Position: CFO, Lloyd's Register Group Limited

## STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Financial Statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (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.

The Trustee's Report, which includes the Investment Report, Implementation Statement, the Report on Actuarial Liabilities and the Statement of Trustee's Responsibilities was approved by the Trustee on

...[redacted]........ (date)

**For and on behalf of the Trustee**

.[redacted] . . . . . .
**Trustee Director**

. . [redacted] . . . .
**Trustee Director**

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE LLOYDS REGISTER SUPERANNUATION FUND ASSOCIATION

### Opinion

We have audited the financial statements of the Lloyd's Register Superannuation Fund Association for the year ended 31 March 2022 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including 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 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

### 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

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

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

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

### Other information

The Trustee is responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE LLOYDS REGISTER SUPERANNUATION FUND ASSOCIATION (continued)**

**Responsibilities of Trustees**

As explained more fully in the Statement of Trustee's Responsibilities, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We set out below the key areas which, in our opinion the financial statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these.

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias.
- Misappropriation of investment assets owned by the Fund. This is addressed by obtaining direct confirmation from the investment custodian and fund managers of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount and approval of the payment of the transactions.
- Non-receipt of contributions due to the Fund from the Employer. This is addressed by testing contributions due are paid to the Fund in accordance with the Schedule of Contributions agreed between the Employer and the Trustee.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE LLOYDS REGISTER SUPERANNUATION FUND ASSOCIATION (continued)**

**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.

[redacted]

**Crowe U.K. LLP**

*Statutory Auditor*
London

Date......[redacted].....

## FUND ACCOUNT

For the year ended 31 March 2022

| | Note | 2022 Defined Benefit Section £'000s | 2022 Defined Contribution Section £'000s | 2022 Total £'000s | 2021 Defined Benefit Section £'000s | 2021 Defined Contribution Section £'000s | 2021 Total £'000s |
|---|---|---|---|---|---|---|---|
| **CONTRIBUTIONS AND BENEFITS** | | | | | | | |
| Employer contributions | 4 | 13,509 | 14,612 | 28,121 | 8,489 | 16,608 | 25,097 |
| Employee contributions | 4 | 7 | 682 | 689 | 7 | 733 | 740 |
| **Total contributions** | 4 | 13,516 | 15,294 | 28,810 | 8,496 | 17,341 | 25,837 |
| Transfers in | 5 | - | 1,255 | 1,255 | - | 726 | 726 |
| Other income | 6 | 160 | (92) | 68 | 2 | - | 2 |
| | | 13,676 | 16,457 | 30,133 | 8,498 | 18,067 | 26,565 |
| Benefits paid or payable | 7 | 35,879 | 4,267 | 40,146 | 33,695 | 2,267 | 35,962 |
| Payments to and on account of leavers | 8 | 5,259 | 11,641 | 16,900 | 5,273 | 5,991 | 11,264 |
| Other payments | 9 | 332 | - | 332 | 429 | - | 429 |
| Administrative expenses | 10 | 1,406 | 168 | 1,574 | 1,222 | 176 | 1,398 |
| | | 42,876 | 16,076 | 58,952 | 40,619 | 8,434 | 49,053 |
| **NET (WITHDRAWALS)/ADDITIONS FROM DEALINGS WITH MEMBERS** | | (29,200) | 381 | (28,819) | (32,121) | 9,633 | (22,488) |
| **RETURNS ON INVESTMENTS** | | | | | | | |
| Investment income | 11 | 47,140 | - | 47,140 | 31,368 | - | 31,368 |
| Change in market value of investments | 13 | (21,998) | 17,340 | (4,658) | 30,114 | 40,419 | 70,533 |
| Investment management expenses | 12 | (987) | - | (987) | (788) | - | (788) |
| **NET RETURNS ON INVESTMENTS** | | 24,155 | 17,340 | 41,495 | 60,694 | 40,419 | 101,113 |
| **NET (DECREASE)/INCREASE IN THE FUND FOR THE YEAR** | | (5,045) | 17,721 | 12,676 | 28,573 | 50,052 | 78,625 |
| **TRANSFERS BETWEEN SECTIONS** | | - | - | - | 125 | (125) | - |
| **OPENING NET ASSETS** | | 1,085,294 | 218,240 | 1,303,534 | 1,056,596 | 168,313 | 1,224,909 |
| **CLOSING NET ASSETS** | | 1,080,249 | 235,961 | 1,316,210 | 1,085,294 | 218,240 | 1,303,534 |

The notes on pages 25 to 42 form part of these financial statements.

**STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)**

At 31 March 2022

| | Note | 2022 Defined Benefit Section £'000s | 2022 Defined Contribution Section £'000s | 2022 Total £'000s | 2021 Defined Benefit Section £'000s | 2021 Defined Contribution Section £'000s | 2021 Total £'000s |
|---|---|---|---|---|---|---|---|
| **INVESTMENT ASSETS** | 13 | | | | | | |
| Bonds | | 1,064,407 | - | 1,064,407 | 1,153,931 | - | 1,153,931 |
| Pooled investment vehicles | 14 | 225,377 | 236,176 | 461,553 | 442,266 | 218,141 | 660,407 |
| Derivatives | 15 | 3,191 | - | 3,191 | 3,774 | - | 3,774 |
| AVC investments | 16 | 3,281 | - | 3,281 | 3,711 | - | 3,711 |
| Cash deposits | | 35,872 | - | 35,872 | 61,782 | - | 61,782 |
| Reverse Repurchase agreements | 15 | 69,971 | - | 69,971 | 30,181 | - | 30,181 |
| Other investment balances | 17 | 5,081 | - | 5,081 | 6,157 | - | 6,157 |
| | | 1,407,180 | 236,176 | 1,643,356 | 1,701,802 | 218,141 | 1,919,943 |
| **INVESTMENT LIABILITIES** | | | | | | | |
| Derivatives | 15 | (10,755) | - | (10,755) | (2,133) | - | (2,133) |
| Repurchase Agreements | 15 | (318,867) | - | (318,867) | (619,001) | - | (619,001) |
| | | (329,622) | - | (329,622) | (621,134) | - | (621,134) |
| **TOTAL NET INVESTMENTS** | | 1,077,558 | 236,176 | 1,313,734 | 1,080,668 | 218,141 | 1,298,809 |
| **CURRENT ASSETS** | 21 | 5,772 | 376 | 6,148 | 6,335 | 226 | 6,561 |
| **CURRENT LIABILITIES** | 22 | (3,081) | (591) | (3,672) | (1,709) | (127) | (1,836) |
| **CLOSING NET ASSETS** | | 1,080,249 | 235,961 | 1,316,210 | 1,085,294 | 218,240 | 1,303,534 |

The notes on pages 25 to 42 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 takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on pages 12 and 13 of the Annual Report and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Trustee on . [redacted] . . .(date)

Signed on behalf of the Trustee

[redacted] . . . .

**Trustee Director**

. [redacted] . . . .

**Trustee Director**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

### 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).

As stated in the Statement of Trustee's Responsibilities on page 19, the Trustee is responsible for preparing the Financial Statements on a going concern basis unless it is inappropriate to presume that the Fund will continue on this basis. The Trustee Board has determined that there is no material uncertainty as to the ability of the Fund to continue as a going concern for the foreseeable future and the Trustee therefore believes it remains appropriate to prepare the Financial Statements on a going concern basis.

### 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. ACCOUNTING POLICIES

***(a) Accounting Convention***

The financial statements are prepared on an accruals basis.

***(b) Contributions***

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

***(c) Payments to Members***

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.

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.

***(d) Expenses***

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

***(e) Investment Income***

Income from bonds and derivatives 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.

Inflation adjustments on index linked bonds are accounted for as investment income when realised.

***(f) Investments***

**(i) Investments other than derivatives**

Listed securities are valued at bid market values for the year ended 31 March 2022 for the official closing price on the year end date.

Accrued interest is excluded from the market value of bonds and is included in investment income receivable.

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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

## 3. ACCOUNTING POLICIES (continued)

### *(f) Investments (continued)*

**(ii) Repurchase Agreements/Reverse 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.

Reverse repurchase agreements are recognised in the Financial Statements as an investment receivable asset, for the cash delivered to the counterparty. The Fund discloses the securities received in exchange as collateral but these are not included in the Fund's assets. Interest receivable is accounted for on an accruals basis and included within investment income. Accrued interest receivable at the year-end is included within other investment balances.

**(iii) Derivatives**

Exchange traded futures valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.

Swaps are valued based on the current value of future cash flows arising from the swap, determined using discounted cash flow models and market data at the reporting date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

**(iv) AVCs**

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.

### *(g) Functional Currency*

All contracts and transactions are made in Sterling (GBP). Monetary items denominated in foreign currency are translated using the closing exchange rates at the Fund year end. Foreign currency transactions are recorded at the spot exchange rate at the date of transaction.

## 4. CONTRIBUTIONS

| | | 2022 | |
|---|---|---|---|
| | Defined Benefit Section £'000s | Defined Contribution Section £'000s | Total £'000s |
| Employer contributions | | | |
| Normal (i) | - | 14,612 | 14,612 |
| Deficit funding (ii) | - | - | - |
| Other (iii) | 352 | - | 352 |
| Additional (iv) | 226 | - | 226 |
| Operating expenses (v) | 931 | - | 931 |
| Section 75 debt (vi) | 12,000 | - | 12,000 |
| | 13,509 | 14,612 | 28,121 |
| Employee contributions | | | |
| Normal (i) | - | 682 | 682 |
| Additional voluntary (ii) | 7 | - | 7 |
| | 7 | 682 | 689 |
| | 13,516 | 15,294 | 28,810 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

**4. CONTRIBUTIONS (continued)**

| | Defined Benefit Section | 2021 Defined Contribution Section | Total |
|---|---|---|---|
| | £'000s | £'000s | £'000s |
| Employer contributions | | | |
| Normal (i) | - | 16,608 | 16,608 |
| Deficit funding (ii) | 5,200 | - | 5,200 |
| Other (iii) | 449 | - | 449 |
| Additional (iv) | 279 | - | 279 |
| Operating expenses (v) | 2,561 | - | 2,561 |
| Section 75 debt (vi) | - | - | - |
| | 8,489 | 16,608 | 25,097 |
| Employee contributions | | | |
| Normal (i) | - | 733 | 733 |
| Additional voluntary (ii) | 7 | - | 7 |
| | 7 | 733 | 740 |
| | 8,496 | 17,341 | 25,837 |

**Employer contributions**

(i) Amounts received from the employer are in accordance with the Schedule of Contributions agreed following the actuarial valuation as at 31 March 2019. The value shown above includes Salary Sacrifice contributions. Contributions have been paid in respect of the Executive Bonus Waiver Fund.

(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 18.

(iii) The employer is required to pay additional contributions in respect of PPF levies payable by the Fund under the latest Schedule of Contributions. Payment made by the employer in respect of life insurance cover for all employed members.

(iv) An employer contribution rate of 0.9% 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 equal to the LRSFA's operating expenses for each plan year as recorded in the Trustee's audited annual report and accounts are payable. These contributions will be due within 20 business days of the date that the relevant Plan accounts are signed.

(vi) Employer Section 75 debt includes £12m transferred into the fund on 3 December 2021, arising from the sale of its Business Assurance and Inspection Services business to Goldman Sachs.

**Member contributions**

(i) Members' normal contributions are paid at various rates as set out in the Schedule of Contributions.

(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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

**4. CONTRIBUTIONS (continued)**

The rates, as percentages of pensionable salaries, during the year ended 31 March 2022 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 80% | N/A | N/A | From 1% to 80% |

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.

**5. TRANSFERS IN**

| | Defined Benefit Section £'000s | 2022 Defined Contribution Section £'000s | Total £'000s |
|---|---|---|---|
| Individual transfers in from other schemes | - | 1,255 | 1,255 |
| | | 2021 | |
| Individual transfers in from other schemes | - | 726 | 726 |

**6. OTHER INCOME**

| | Defined Benefit Section £'000s | 2022 Defined Contribution Section £'000s | Total £'000s |
|---|---|---|---|
| Other income | 3 | (92) | (89) |
| Claims on term insurance policies | 157 | - | 157 |
| | 160 | (92) | 68 |
| | | 2021 | |
| Other income | 2 | - | 2 |
| Claims on term insurance policies | - | - | - |
| | 2 | - | 2 |

Defined Contributions negative income relates to the release of a historic accrual.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

**7. BENEFITS PAID OR PAYABLE**

| | 2022 Defined Benefit Section £'000s | 2022 Defined Contribution Section £'000s | 2022 Total £'000s |
|---|---|---|---|
| Pensions | 32,257 | - | 32,257 |
| Commutation of pensions and lump sum retirement benefits * | 3,226 | 3,570 | 6,796 |
| Purchase of annuities | - | 508 | 508 |
| Lump sum death benefits | 347 | 189 | 536 |
| Refunds of contributions on death | 10 | - | 10 |
| Taxation where lifetime or annual allowance exceeded ** | 39 | - | 39 |
| | 35,879 | 4,267 | 40,146 |

| | 2021 Defined Benefit Section £'000s | 2021 Defined Contribution Section £'000s | 2021 Total £'000s |
|---|---|---|---|
| Pensions | 32,033 | - | 32,033 |
| Commutation of pensions and lump sum retirement benefits * | 1,391 | 1,466 | 2,857 |
| Purchase of annuities | - | 672 | 672 |
| Lump sum death benefits | 262 | 129 | 391 |
| Refunds of contributions on death | 2 | - | 2 |
| Taxation where lifetime or annual allowance exceeded ** | 7 | - | 7 |
| | 33,695 | 2,267 | 35,962 |

* Of the £3.570m (2021: £1.466m) of commutations for lump sums for DC benefits, £1.568m (2021: £0.858m) 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.

**8. PAYMENTS TO AND ON ACCOUNT OF LEAVERS**

| | 2022 Defined Benefit Section £'000s | 2022 Defined Contribution Section £'000s | 2022 Total £'000s |
|---|---|---|---|
| Individual transfers out to other schemes | 5,259 | 11,641 | 16,900 |

| | 2021 Defined Benefit Section £'000s | 2021 Defined Contribution Section £'000s | 2021 Total £'000s |
|---|---|---|---|
| Individual transfers out to other schemes | 5,273 | 5,991 | 11,264 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

## 9. OTHER PAYMENTS

| | Defined Benefit Section £'000s | 2022 Defined Contribution Section £'000s | Total £'000s |
|---|---|---|---|
| Premiums on term insurance policies | 332 | - | 332 |
| | | 2021 | |
| Premiums on term insurance policies | 429 | - | 429 |

## 10. ADMINISTRATIVE EXPENSES

| | Defined Benefit Section £'000s | 2022 Defined Contribution Section £'000s | Total £'000s |
|---|---|---|---|
| Administration | 549 | 51 | 600 |
| Actuarial fees | 292 | - | 292 |
| Legal fees | 178 | - | 178 |
| Other professional fees | - | - | - |
| Investment advice | 315 | 117 | 432 |
| Audit fees | 52 | - | 52 |
| PPF Levy | 20 | - | 20 |
| | 1,406 | 168 | 1,574 |
| | | 2021 | |
| Administration | 511 | 57 | 568 |
| Actuarial fees | 270 | - | 270 |
| Legal fees | 151 | - | 151 |
| Other professional fees | 35 | - | 35 |
| Investment advice | 198 | 119 | 317 |
| Audit fees | 37 | - | 37 |
| PPF levy | 20 | - | 20 |
| | 1,222 | 176 | 1,398 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

## 11. INVESTMENT INCOME

| | Defined Benefit Section £'000s | 2022 Defined Contribution Section £'000s | Total £'000s |
|---|---|---|---|
| Income from bonds | 47,255 | - | 47,255 |
| Income from pooled investment vehicles | 3,668 | - | 3,668 |
| Interest on cash deposits | (7) | - | (7) |
| Gains/(losses) on foreign exchange | (3,516) | - | (3,516) |
| Income from derivatives / swaps | 605 | - | 605 |
| Net interest on repos | (865) | - | (865) |
| | 47,140 | - | 47,140 |

| | | 2021 | |
|---|---|---|---|
| Income from bonds | 21,716 | - | 21,716 |
| Income from pooled investment vehicles | 11,994 | - | 11,994 |
| Interest on cash deposits | (8) | - | (8) |
| Gains/(losses) on foreign exchange | (753) | - | (753) |
| Income from derivatives / swaps | 345 | - | 345 |
| Interest on repos | (1,926) | - | (1,926) |
| | 31,368 | - | 31,368 |

## 12. INVESTMENT MANAGEMENT EXPENSES

| | Defined Benefit Section £'000s | 2022 Defined Contribution Section £'000s | Total £'000s |
|---|---|---|---|
| Administration, management & custody - charged | 1,157 | - | 1,157 |
| Administration, management - rebated | (170) | - | (170) |
| | 987 | - | 987 |

| | | 2021 | |
|---|---|---|---|
| Administration, management & custody - charged | 1,142 | - | 1,142 |
| Administration, management - rebated | (354) | - | (354) |
| | 788 | - | 788 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

## 13. RECONCILIATION OF INVESTMENTS

| Defined Benefit Section | Value at 31.03.2021 £'000s | Purchases at cost and derivative payments £'000s | Sales proceeds and derivative receipts £'000s | Change in market value £'000s | Value at 31.03.2022 £'000s |
|---|---|---|---|---|---|
| Bonds | 1,153,931 | 149,620 | (207,534) | (31,610) | 1,064,407 |
| Pooled investment vehicles* | 442,266 | 2 | (232,848) | 15,957 | 225,377 |
| Derivatives | (587,179) | 2,458,041 | (2,117,775) | (9,547) | (256,460) |
| AVC investments | 3,711 | 7 | (692) | 255 | 3,281 |
| | 1,012,729 | 2,607,670 | (2,558,849) | (24,945) | 1,036,605 |
| Cash deposits | 61,782 | | | 2,947 | 35,872 |
| Other investment balances | 6,157 | | | - | 5,081 |
| | 1,080,668 | | | (21,998) | 1,077,558 |
| **Defined Contribution Section** | | | | | |
| Pooled investment vehicles** | 218,141 | 1,708,402 | (1,707,707) | 17,340 | 236,176 |

*Included in sales is £178,801,071 of assets fully disinvested from PIMCO and Barings.

** Included in purchases and sales is £1,691,852,359 lifestyle switches within Standard Life.

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Fund such as fees, commissions and stamp duty.

During the year direct transaction costs of £8,872 (2021: £322) were incurred through the Legal & General Buy and Maintain portfolio.

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

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:

| | 2022 £'000s | 2021 £'000s |
|---|---|---|
| Members | 236,068 | 218,040 |
| Trustees | 108 | 101 |
| | 236,176 | 218,141 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

## 14. POOLED INVESTMENT VEHICLES

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

| | 2022 | 2021 |
|---|---|---|
| **Defined Benefit Section** | £'000s | £'000s |
| ***Return Seeking Strategy*** | | |
| Structured credit | - | 98,967 |
| Hedge funds[1] | - | 263 |
| Diversified credit | - | 79,155 |
| Direct lending | 145,749 | 182,770 |
| Total return fund[1] | 79,628 | 81,110 |
| | 225,377 | 442,265 |

| | 2022 | 2021 |
|---|---|---|
| **Defined Contribution Section** | | |
| ***Default Funds*** | | |
| Bonds | 20,548 | 21,495 |
| Equity | 7,592 | 7,339 |
| Cash | 4,619 | 4,706 |
| Diversified growth[1] | 199,583 | 182,616 |
| ***Other Funds*** | | |
| Other funds[2] | 3,834 | 1,985 |
| | 236,176 | 218,141 |

[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.

## 15. DERIVATIVES

**Objectives and policies**

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Fund as follows.

Futures – the Trustee did not want cash held to be "out of the market" and therefore bought exchange traded index based futures contracts which had an underlying economic value broadly equivalent to cash held.

Swaps – the Trustee's aim is to match as far as possible the fixed income portfolio and the Fund's long term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds the Trustee has entered into OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long term liabilities of the Fund.

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

## 15. DERIVATIVES (continued)

At the year end the Fund held the following derivatives:

| | 2022 Asset £'000s | 2022 Liability £'000s | 2021 Asset £'000s | 2021 Liability £'000s |
|---|---|---|---|---|
| Repurchase and reverse repurchase agreements | 69,971 | (318,867) | 30,181 | (619,001) |
| Futures | 2,796 | (13) | 3,321 | (111) |
| Forward foreign exchange contracts | 395 | (2,005) | 165 | (1,142) |
| Swaps | - | (8,737) | 288 | (880) |
| | 73,162 | (329,622) | 33,955 | (621,134) |
| | | (256,460) | | (587,179) |

**Repurchase and reverse repurchase agreements**

At 31 March 2022 the market value of the securities sold under repurchase agreements was £309.2m (2021: £605.9m). 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 2022 this amounted to £318.8m (2021: £619.0m)

During the year the Fund also entered into reverse repurchase agreements. At 31 March 2022 amounts receivable under reverse repurchase agreements amounted to £69.9m (2022: £30.1m). Bonds with value of £69.3m (2021: £29.6m) are held as collateral under reverse repurchase agreements.

**Collateral on repurchase & reverse repurchases agreements**

At 31 March 2022 there was collateral pledged of £12.3m (2021: £16.0m) and collateral held of £0.0m (2021: £0.0m) against the difference in valuation between the underlying securities and the repurchases.

| **Futures** Nature | Expiration | Economic exposure £'000s | Asset £'000s | Liability £'000s |
|---|---|---|---|---|
| Long Bond Future | Less than 1 year | (15,044) | 456 | - |
| Ultra-Bond Future | Less than 1 year | (35,784) | 1,386 | - |
| 5 Year Treasury Future | Less than 1 year | (1,394) | 35 | - |
| 10 Year Treasury Future | Less than 1 year | (15,399) | 443 | - |
| 10 Year Ultra Future | Less than 1 year | (14,610) | 476 | - |
| 10 Year Treasury Future | Less than 1 year | (373) | - | - |
| 10 Year Ultra Future | Less than 1 year | (1,029) | - | (13) |
| Total 2022 | | (83,633) | 2,796 | (13) |
| Total 2021 | | (53,245) | 3,321 | (111) |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

## 15. DERIVATIVES (continued)

**Forward Foreign Exchange**

| Contract | Settlement Date | Currency bought GBP | Currency sold USD | Asset £'000s | Liability £'000s |
|---|---|---|---|---|---|
| Forward OTC | Under 1 month | 33,802 | 45,587 | - | (827) |
| Forward OTC | 1-4 months | 67,359 | 89,695 | 395 | (1,178) |
| Total 2022 | | 101,161 | 135,282 | 395 | (2,005) |
| Total 2021 | | 104,861 | 146,046 | 165 | (1,142) |

**Swaps**

| Nature | Expiration | Asset £'000s | Liability £'000s |
|---|---|---|---|
| Interest rate swaps (OTC) | 2024-2049 | - | (8,737) |
| Total 2022 | | - | (8,737) |
| Total 2021 | | 288 | (880) |

Included in bonds is collateral of £7.7m (2021: £11.20m) which has been pledged to the counterparty.

At the year end the Fund held £9.0m (2021: £14.13m) of collateral belonging to the counterparty. This collateral is not reported within the Fund's net assets.

## 16. AVC INVESTMENTS

The Trustee holds 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 2022 confirming the amounts held in their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

| **Defined Benefit** | 2022 £'000s | 2021 £'000s |
|---|---|---|
| Utmost Life and Pensions (unit linked) | 541 | 627 |
| Standard Life Assurance Limited (unit linked) | 2,740 | 3,084 |
| | 3,281 | 3,711 |

## 17. OTHER INVESTMENT BALANCES

| | 2022 £'000s | 2021 £'000s |
|---|---|---|
| Interest receivable | 5,078 | 6,157 |
| Cash in transit | 3 | - |
| | 5,081 | 6,157 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

## 18. FAIR VALUE DETERMINATION

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

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Fund's investment assets and liabilities fall within the above hierarchy as follows:

| | At 31 March 2022 | | | |
|---|---|---|---|---|
| **Defined Benefit Section** | Level 1<br>£'000s | Level 2<br>£'000s | Level 3<br>£'000s | Total<br>£'000s |
| Bonds | - | 1,064,407 | - | 1,064,407 |
| Pooled investment vehicles | - | 225,377 | - | 225,377 |
| Derivatives | 2,782 | (259,242) | - | (256,460) |
| AVC investments | - | 3,281 | - | 3,281 |
| Cash | 35,872 | - | - | 35,872 |
| Other investment balances | 5,081 | - | - | 5,081 |
| | 43,735 | 1,033,823 | - | 1,077,558 |
| **Defined Contribution Section** | | | | |
| Pooled investment vehicles | - | 236,176 | - | 236,176 |
| | - | 236,176 | - | 236,176 |
| | 43,735 | 1,269,999 | - | 1,313,734 |

| | At 31 March 2021 | | | |
|---|---|---|---|---|
| **Defined Benefit Section** | Level 1<br>£'000s | Level 2<br>£'000s | Level 3<br>£'000s | Total<br>£'000s |
| Bonds | - | 1,153,931 | - | 1,153,931 |
| Pooled investment vehicles | - | 442,266 | - | 442,266 |
| Derivatives | 3,210 | (590,389) | - | (587,179) |
| AVC investments | - | 3,711 | - | 3,711 |
| Cash | 61,782 | - | - | 61,782 |
| Other investment balances | 6,157 | - | - | 6,157 |
| | 71,149 | 1,009,519 | - | 1,080,668 |
| **Defined Contribution Section** | | | | |
| Pooled investment vehicles | - | 218,141 | - | 218,141 |
| | - | 218,141 | - | 218,141 |
| | 71,149 | 1,227,660 | - | 1,298,809 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

## 19. INVESTMENT RISK DISCLOSURES

### (a) 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 manages 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.

### (b) Defined Benefit Section

#### (i) 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 a long-term objective of achieving returns in excess of gilts of 1.5%.

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 plan agreed with the Employer. The investment strategy is set out in its SIP.

The current strategy for the DB Section is to hold:

- 29-45% in return seeking investments comprising UK and overseas bonds, credit opportunities, direct lending, diversified credit, bond funds, swaps and cash. This is expected to generate higher returns and cash flows than would be obtained solely from government bonds.
- 55%-71% in investments that move in line with the long-term liabilities of the Fund. This is a Liability Driven Investment (LDI) strategy, which comprises of UK government bonds as well as derivative instruments. The LDI and Buy & Maintain Credit aim to hedge 100% of interest rate and inflation risk of the Fund liabilities on a low risk, gilts+0.5% basis.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

**19. INVESTMENT RISK DISCLOSURES (continued)**

As at 31 March 2022 the DB Section held 21% of its portfolio in return seeking investments (2021 - 40%) and 79% in liability matching assets (2021 - 60%). See notes 13 and 14 for further details of the investments held at the start and end of the year.

Transitions to the new strategy (outlined in the SIP signed in April 2022) were agreed to by the Trustee in Q4 2021 so the actual strategy is in line with the SIP signed in April 2022 rather than the one in place at the end of the Fund 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.

**(ii) Other price risk**

Other price risk arises principally in relation to the Fund's return seeking portfolio. As at 31 March 2022, 21% (2021 - 40%) of the portfolio was held in the return seeking portfolio, based on the fair value of the investments.

The fund has set a target asset allocation of 29-45% of assets in return seeking investments. The Fund managers this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

**(iii) 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 29-37% of assets in the LDI matching strategy and 26%-34% in Buy & Maintain Credit strategy. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

As at 31 March 2022 the liability matching portfolio represented 79% (2021:- 60%) of the total investment portfolio based on the fair value of the investments.

| | 2022<br>£'000s | 2021<br>£'000s |
|---|---|---|
| Fixed interest gilts | 128,169 | 267,341 |
| Index linked gilts | 667,278 | 585,747 |
| Repurchase and agreements | (249,028) | (588,820) |
| Corporate bonds | 285,295 | 291,577 |
| UK gilts | 8,627 | 9,266 |
| Interest Rate Swaps | (8,737) | (592) |
| Cash and other balances | 10,005 | 40,235 |
| | 841,608 | 604,754 |

The fund is subject to interest rate risk in the return seeking strategy classes as is shown in note 14. Figures may not sum due to rounding.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

**19. INVESTMENT RISK DISCLOSURES (continued)**

**(iv) 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 55%-71% of investments in its liability matching strategy. Of which 29-37% of assets are in the LDI matching strategy which provides inflation hedging. The inflation risk strategy is fully implemented, hedging the impact of interest rate and inflation movements on 100% of the liabilities of the Fund on a Gilts+0.5% basis (2021 – 94% of liabilities on a Technical Provisions basis).

As at 31 March 2022 the liability matching portfolio represented 79% (2021 – 60%) of the total investment portfolio based on the fair value of the investments. The detailed breakdown and constituents of the LDI mandate and Buy & Maintain Credit mandate are provided under the Interest Rate Risk disclosure section.

**(v) 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 also holds investments in overseas bonds through its segregated Buy & Maintain Credit mandate; however all currency exposure is hedged back to sterling. Breakdown of the investments is shown in notes 13 and 14. Currency risk is accepted where this facilitates overseas investments, taking into account the risks and the expected reward.

**(vi) Credit risk**

The Fund uses LDI and Buy & Maintain Credit mandates 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 £0.0m (2021: £178.1m) and shares in limited partnerships of £225.5m (2020: £265.7m). Breakdown of the investments is shown in note 14.

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 2022 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

**19. INVESTMENT RISK DISCLOSURES (continued)**

**(c) Defined Contribution Section**

**(i) Investment strategy**

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 Standard Life, 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
- property
- 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.

**(ii) Direct credit risk**

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

**(iii) 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 Standard Life. 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, and 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

## 20. CONCENTRATION OF INVESTMENTS

The following investments represented over 5% of the net assets of the Fund:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | £'000s | % | £'000s | % |
| Pimco Diversified Income Fund | - | - | 79,155 | 6.1 |
| Partner Group Private Market Strategies Fund | 89,788 | 6.8 | 103,050 | 7.9 |
| Apollo Total Return Fund | 79,628 | 6.1 | 81,110 | 6.2 |
| Barings Investment Grade CLO Fund | - | - | 98,967 | 7.6 |

## 21. CURRENT ASSETS

| | | 2022 | |
|---|---|---|---|
| | Defined Benefit Section £'000s | Defined Contribution Section £'000s | Total £'000s |
| Bank balance | 4,252 | 376 | 4,628 |
| Contribution due from employer | 1,437 | - | 1,437 |
| Other assets | 83 | - | 83 |
| Due from employer | - | - | - |
| | 5,772 | 376 | 6,148 |
| | | 2021 | |
| Bank balance | 4,023 | 134 | 4,157 |
| Contributions receivable - employer | 2,176 | - | 2,176 |
| Other assets | 112 | - | 112 |
| Due from employer | 24 | 92 | 116 |
| | 6,335 | 226 | 6,561 |

Included in the DC Section bank balance is £nil (2021: £nil) which is not allocated to members.

All contributions receivable are due to be paid to the Fund within 20 business days of the signing of this report in accordance with the Schedule of Contributions currently in force.

## 22. CURRENT LIABILITIES

| | | 2022 | |
|---|---|---|---|
| | Defined Benefit Section £'000s | Defined Contribution Section £'000s | Total £'000s |
| Accrued expenses | 872 | - | 872 |
| Unpaid benefits | 1,745 | 591 | 2,336 |
| Tax payable | 464 | - | 464 |
| | 3,081 | 591 | 3,672 |
| | | 2021 | |
| Accrued expenses | 721 | - | 721 |
| Unpaid benefits | 545 | 127 | 672 |
| Tax payable | 443 | - | 443 |
| | 1,709 | 127 | 1,836 |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2022

## 23. RELATED PARTIES

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 2022 (2021: £240,000). 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.

4 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 Fund. Mr Nicholas Godden receives a fee of £51,000 per annum. The total sum paid during the year ended 31 March 2022 was £51,000.00 (2021: £51,916.63).

## 24. TAXATION STATUS

The Fund is a registered pension scheme within the meaning of Section 153 of the Finance Act 2004. The Fund is therefore exempt from income and capital gains tax except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

## 25. 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 Trustee does 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.

A High Court judgment in another Lloyds Bank case in November 2020 determined that the requirement to implement GMP equalisation should include past transfers paid out of the Fund. Based on an initial assessment of the likely backdated amounts and related interest the Trustee do not expect these to change their assessment that the impact of GMP equalisation will be immaterial to the financial statements and therefore will continue to not include a liability in respect of these matters in these financial statements.

## 26. SUBSEQUENT EVENTS

Following the year-end, there have been significant movements in investment markets. Most notably, long-dated UK government bond yields have increased dramatically over the period to the end of September 2022, driven largely by a series of interest rates hikes by the Bank of England and, more recently, the market’s reaction to the economic policies announced by the Chancellor of Exchequer in the September 2022 ‘mini-budget’.

The Trustee continues to monitor the impact that market movements have on the Fund assets and liabilities and receives regular monitoring updates from the Fund advisers.

It is not expected that the recent market movements will have had any notable implications to the Fund cashflow requirements.

## INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE LLOYDS 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 2022 which is set out in the Trustee's Report on page 44.

In our opinion, except for the effects of the departure from the Schedule of Contributions referred to below, contributions for the Fund year ended 31 March 2022 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 26 November 2020.

### Basis for Qualified Statement about Contributions

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. As explained on page 44, there was one instance where the contributions for operating expenses of £633,280 were received 85 days after the due date as set out in 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 d

o 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.

[redacted]

**Crowe U.K. LLP**
*Statutory Auditor*
London

Date [redacted]

## SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

During the year, the contributions paid to the Fund by the employer under the Schedule of Contributions were as follows:

| | DB Section £'000s | DC Section £'000s | Total £'000s |
|---|---|---|---|
| Employer normal contributions | - | 14,612 | 14,612 |
| Employer other contributions | 352 | - | 352 |
| Employer additional contributions | 226 | - | 226 |
| Operating expenses | 931 | - | 931 |
| Employer special contributions | 12,000 | - | 12,000 |
| Employee normal contributions | - | 682 | 682 |
| Employer additional voluntary contributions | 7 | - | 7 |
| Total contributions paid under the Schedule of Contributions | 13,516 | 15,294 | 28,810 |
| Reconciliation to the financial statements: | 13,516 | 15,294 | 28,810 |

During the year, there was one instance where the contributions for operating expenses of £633,280 were received 85 days after the due date as set out in the Schedule of Contributions.

This summary was approved by the Trustee on . . [redacted] . (date)

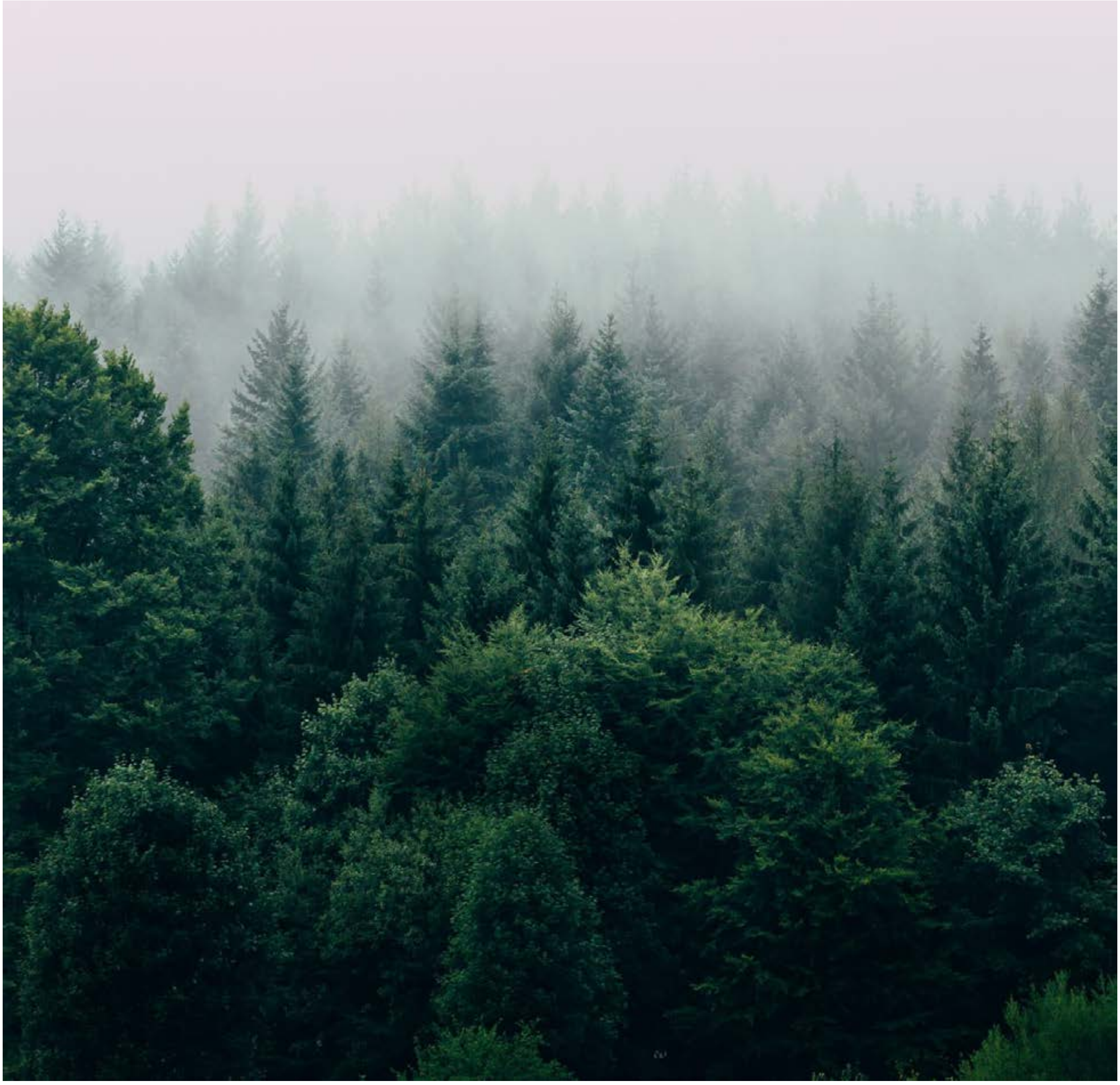
Signed on behalf of the Trustee

. [redacted]

**Trustee Director**

. . [redacted]

**Trustee Director**



# Lloyd’s Register Superannuation Fund Association

June 2022

Document classification: Public

# Background and Implementation Statement

**Background**
The Department for Work and Pensions (DWP) is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation report.
Statement of Investment Principles (SIP)
The Fund previously updated its SIP in response to the DWP regulation to cover:
• policies for managing financially material considerations including ESG factors and climate change.

• policies on the stewardship of the investments.

• an explanation of how the default strategy is in the best interest of members.

**Statement of Investment Principles (SIP)**
The Fund previously updated its SIP in response to the DWP regulation to cover:
• policies for managing financially material considerations including ESG factors and climate change.

• policies on the stewardship of the investments.

• an explanation of how the default strategy is in the best interest of members

The SIP can be found online at the web address https://www.lrpensionport.co.uk/system/refinery/resources/W1siZiIsIjIwMjEvMDcvMjMvNW84ZjZmZ2ZnOV9MbG95ZF9zX1JlZ2lzdGVyX1NJUF8yMDIxX19fQ2xlYW5fRmViXzIwMjEucGRmIl1d/Lloyd%27s%20Register%20SIP%20-%202021%20_%20Clean%20Feb%202021.pdf and changes to the SIP are detailed on the following page.

**Implementation Report**
This implementation report is to provide evidence that the Fund continues to follow and act on the principles outlined in the SIP. This report details:
• actions the Fund has taken to manage financially material risks and implement the key policies in its SIP.

• the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks.

• the extent to which the Fund has followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate.

• voting behaviour covering the reporting year up to 31 March 2022 for and on behalf of the Fund, including the most significant votes cast by the Fund or on its behalf.

• the policies in place to ensure the default strategy remains in the best interest of its members.

**Summary of key actions undertaken over the Fund reporting year**

The Trustee de-risked the investment strategy over the year; fully disinvesting from the PIMCO Diversified Credit fund and the Barings Collateralised Loan Obligations fund in December 2021 and transferring the proceeds into the Schroders Liability Driven Investment funds. Interest and inflation hedging was increased from 94% on a Technical Provisions basis to 100% on a Gilts + 0.5% p.a. basis over the year.

In Q4 2021 the Fund received a payment of £12m from the Employer from the sale of the Sponsor's insurance business. This payment was made into the Trustee bank account.

Within the DC section, the Trustee undertook the triennial review of the default strategy over the reporting period. The key change agreed as part of that review was to implement a global ESG equity fund within the default, which was implemented shortly after the Fund reporting year.

**Implementation Statement**

This report demonstrates that Lloyd's Register Superannuation Fund Association has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed [redacted]

Position

Date

# Managing risks and policy actions DB and DC

| Risk / Policy | Definition | Policy | Actions and details on changes to policy |
|---|---|---|---|
| **DB and DC** | | | |
| Interest rates and inflation | The risk of mismatch between the value of the Fund assets and present value of liabilities from changes in interest rates and inflation expectations. | To hedge 100% of these risks within the DB Section on a gilts+0.5% basis. | DB: The Trustee increased the Fund's interest rate and inflation hedging to 100% on a gilts+0.5% basis. |
| Liquidity | Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment. | To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.<br>The DC Section offers members pooled funds which are readily redeemable in normal circumstances. | DB: There have been no changes to the policy. The liquidity of the DB assets are monitored on a quarterly basis.<br>DC: There have been no changes to the policy and no liquidity concerns were raised over the reporting period. |
| Market | Experiencing losses due to factors that affect the overall performance of the financial markets. | To remain appropriately diversified and hedge away any unrewarded risks, where practicable. | There have been no changes to the policy. The Trustee reviews the performance of the Sections on a quarterly basis. |
| Credit | Default on payments due as part of a financial security contract. | To diversify this risk by investing in a range of credit markets across different geographies and sectors. | There have been no changes to the policy. The Trustee reviews the performance of the Sections on a quarterly basis. |
| Environmental, Social and Governance | Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Fund's investments. | To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:<br>1. Responsible Investment ('RI') Policy / Framework<br>2. Implemented via Investment Process #<br>3 A track record of using engagement and any voting rights to manage ESG factors<br>4. ESG specific reporting<br>5. UN PRI Signatory<br>The Trustee monitors the managers on an ongoing basis. | Further detail provided later in this report |

| | | | |
|---|---|---|---|
| Currency | The potential for adverse currency movements to have an impact on the Fund's investments. | To largely invest in GBP share classes where possible to eliminate direct currency risk.<br>Within the DC section this is managed by providing the membership with a number of GBP based investment options and communicating those funds which invest overseas. | No changes to the policy. |
| Non-financial | Any factor that is not expected to have a financial impact on the Fund's investments. | Non-financial matters are not taken into account in the selection, retention or realisation of investments. | No changes to the policy. |
| DB Only | | | |
| Investment | The risk that the Fund's position deteriorates due to the assets underperforming. | Selecting an investment objective that is achievable and is consistent with the Fund's funding basis and the sponsoring company's covenant strength.<br>Investing in a diversified portfolio of assets. | The Trustee changed the investment target for the Fund from Gilts+1.5% p.a. to Gilts+1.2%. p.a.<br>The Fund disinvested from the Barings Investment Grade CLO and PIMCO Diversified Income funds with the aim to de-risk the portfolio. Proceeds were invested in the Schroders segregated LDI mandate. |
| Funding | The extent to which there are insufficient Fund assets available to cover ongoing and future liability cash flows. | Funding risk is considered as part of the investment strategy review and the actuarial valuation.<br>The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time. | There have been no changes to the policy. The Trustee reviews the funding position of the DB Section on a quarterly basis. |
| Covenant | The risk that the sponsoring company becomes unable to continue providing the required financial support to the Fund. | When developing the Fund's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Fund is exposed to is at an appropriate level for the covenant to support. | There have been no changes to the policy. The Trustee reviews the covenant position of the Sections' on a triennial basis in conjunction with the Actuarial Valuation, and more frequently if any significant events occur. |

| DC Only | | | |
|---|---|---|---|
| Default design | The default strategy is in the best interest of members. | The default is regularly reviewed to check it matches the risk/reward requirements of the Fund members and preserves the value of capital at retirement. | The Trustee undertook the triennial review of the default strategy over the reporting period. The key change agreed as part of that review was to implement a global ESG equity fund within the default, which was implemented shortly after the Fund reporting year. |
| Self-select funds | Offering members an appropriate selection of self-select funds. | Members who wish to self-select their investments should have a good variety of funds, offering alternative asset classes with rated fund managers. | There have been no changes to the policy and the self-select range was last reviewed in 2020. |
| DC specific risks | In addition to the risks across both sections, the Trustee considers DC specific risks including inflation, conversion, opportunity cost, manager and capital risks. | The Trustee undertakes regular monitoring of fund performance and example member experience. | No changes to the policy. Investment performance and example member experience was reviewed quarterly over the reporting period. |

# Changes to the SIP

Policies added to the SIP
Date updated: February 2022

**Long-term journey plan**
As part of the 2019 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. This objective was achieved in 2021. The investment strategy has therefore been designed to be consistent with a discount rate of Gilts + 0.5%. The current expected return target of the DB Section assets is Gilts + 1.2% p.a. subject to a target level of risk of £100m or less as measured by the 95% 1-year Value at Risk ("VaR").

**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) |
|---|---|---|---|---|
| Credit | Buy and Maintain Corporate Bonds | 30% | 26%-34% | 1.2% |
| | Direct Lending(2) | 16% | n/a | 4.2% |
| | Semi-Liquid Credit | 7% | 5%-15% | 3.5% |
| Liability hedging | Liability Driven Investment ("LDI") | 47% | 43%-60% | 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 0.8% at 30 June 2021. Net of management fees.
(2) 16% allocation as at 30 June 2021, this will reduce over time as the funds pay out. Due to be paid out in full by 2025.

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") | Buy and Maintain Corporate Bonds | Partially active (buy and maintain) | 30% |
| Alcentra Limited | Direct Lending | Active | 16% |
| Partners Group AG | Direct Lending | Active | |
| Apollo Global Management | Semi-Liquid Credit | Active | 7% |
| Schroders | LDI | Passive | 47% |
| Other (includes legacy investment at BlueCrest) | n/a | n/a | 0% |

(1) A legacy investment at BlueCrest is in the process of winding down the fund and distributing the proceeds to the Fund. There is no target allocation for this investment, and this remain a very small portion of current assets held by the DB Section (<1% of total assets as at 30 June 2021).
(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's investment period ended on 30 September 2019. From this date, Alcentra no longer recycles capital into new investments, however they may still call capital for top-up investments into existing holdings or to cover obligations to currency hedging and other obligations.
(5) Target allocation reflects asset allocations as at 30 June 2021. These will evolve over time as the Direct Lending pays out.

**Mandate target returns, objectives and fees**

The Trustee ensures the underlying manager fees are competitive.

| Fund | Benchmark | Objective | Fees (% p.a.) |
|---|---|---|---|
| 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%<br>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%<br>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%<br>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%<br>Performance: 0.475% subject to a return hurdle of 6% p.a. |

**Defined Contribution Section**

### Investment Options

The Trustee currently makes available a range of 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 | Global Equity (passive) | Overseas Equity (passive) | UK Equity (passive) | Corporate Bonds (active) | Index-linked Gilts (passive) | Emerging Market Equity (passive) | Cash | TER (p.a.) |
|---|---|---|---|---|---|---|---|---|---|
| LR Adventurous Fund | 30% | 63% | - | - | - | - | 7% | - | 0.32% |
| LR Moderate Fund | 30% | - | 18% | 9% | 20% | 20% | 3% | - | 0.31% |
| LR Fixed Income Fund | - | - | - | - | 50% | 50% | - | - | 0.21% |
| LR Global Equity Passive | - | - | 60% | 30% | - | - | 10% | - | 0.24% |

**Single fund white label fund range**

| White Label Name | Underlying Fund | Benchmark | Fund Charge (% p.a.) |
|---|---|---|---|
| LR Emerging Markets Equity Fund | SL iShares Emerging Markets Equity Index Pension Fund | FTSE Emerging Total Return (net) GBP index | 0.38% |
| LR SL iShares UK Equity Index Pension Fund | SL iShares UK Equity Index Pension Fund | FTSE All-Share Total Return (net) GBP index | 0.22% |
| LR Diversified Growth | SL BlackRock Market Advantage Pension Fund | 3 Month GBP LIBOR + 3.5% p.a. | 0.51% |
| 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 | 0.20% |
| LR Sustainable Investments | SL Vanguard ESG Developed World All Cap Equity Index | FTSE Developed All Cap ex Controversies/Non-Renewable Energy/Vice Products/Weapons Total Return 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% |

### Risks and Financially Material Considerations

Both the DB and the DC Sections of the Fund are exposed to a number of underlying risks relating to the Fund's investment strategy. These are summarised below:

| Risk | Definition | Policy |
|---|---|---|
| Interest rates and inflation | The risk of mismatch between the value of the Fund assets and present value of liabilities from changes in interest rates and inflation expectations. | To hedge 100% of these risks the DB Section on a Gilts + 0.5% basis. |

### Other Policies

| | |
|---|---|
| How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term. | • The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.<br>• The Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process.<br>• The Trustee does not incentivise the investment managers to make decisions based on non-financial performance. |
| How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee policies. | •The Trustee reviews the performance of all the Fund's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.<br>• The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.<br>• The Trustee monitors Since Inception returns of the investment managers on a quarterly basis, as part of the ongoing quarterly monitoring.<br>• Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive. |
| The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range. | • Within the DB Section the Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.<br>• Within the DC Section the Trustee monitors turnover costs as part of the annual Chair's Statement in the Trustee Report and Accounts. |
| The duration of the Fund's arrangements with the investment managers. | • The duration of the arrangements is considered in the context of the type of fund the Fund invests in. o For closed-ended funds or funds with a lock-in period the Trustee ensures the timeframe of the investment or lock-in is in line with Trustee objectives and Fund's liquidity requirements.<br>o For open-ended funds, the duration is flexible, and the Trustee will, from time-to-time, consider the appropriateness of these investments and whether they should continue to be held. |
| The SIP was updated to reflect changes made to the default fund in the DC Section. | • The asset mix of the blended LR Adventurous Fund (which forms the growth phase of the default strategy) was updated to reflect underlying fund changes.<br>• Fund charges were also updated to reflect the latest information from Standard Life. |
| The SIP was updated to reflect the new expected return target for the DB section. | • The DB Section expected return target was updated following the de-risking activity completed over the year. The expected return target was reduced from Gilts + 1.5% p.a. to now being Gilts + 1.2% p.a. |

# Current ESG policy and approach

**ESG as a financially material risk**

The SIP describes the Fund's policy with regards to ESG as a financially material risk. This page details Isio's ESG policy. The next page details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

**Current Policy**

| Areas of engagement | Policy | Method for monitoring and engagement |
|---|---|---|
| Environmental, Social and Governance | To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:<br>1. Responsible Investment ('RI') Policy / Framework<br>2. Implemented via Investment Process<br>3. A track record of using engagement and any voting rights to manage ESG factors<br>4. ESG specific reporting<br>5. UN PRI Signatory<br>The Trustee monitors the mangers on an ongoing basis. | The investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.<br><br>Trustees receive information from their investment advisers on the investment managers' approaches to engagement. |

The table below outlines the areas which the Fund's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee intends to review the Fund's ESG policies and engagements periodically to ensure they remain fit for purpose.

| | |
|---|---|
| Risk Management | 1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Fund.<br>2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee. |
| Approach / Framework | 3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager.<br>4. ESG factors are relevant to investment decisions in all asset classes.<br>5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors. |

| | |
|---|---|
| Reporting & Monitoring | 6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important.<br>7. ESG factors are dynamic and continually evolving; therefore, the Trustee will receive training as required to develop their knowledge.<br>8. The role of the Fund's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions. |
| Voting & Engagement | 9. The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach.<br>10. Engaging is more effective in seeking to initiate change than disinvesting. |
| Collaboration | 11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why.<br>12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights. |

# ESG summary and actions with the investment managers

| Manager, fund | ESG Summary | Actions identified |
|---|---|---|
| Alcentra Direct Lending Fund II ("EDL II") | Alcentra have made several positive developments over the past 12 months through measures such as the development of a quantitative ESG scorecard, the issuance of engagement questionnaires to portfolio companies, and their plans to introduce a quarterly ESG report. | Alcentra to set Fund specific ESG objectives.<br>Alcentra to monitor the use of ESG ratchets for prospective investments and measure the effectiveness of these ratchets in terms of encouraging ESG best practices.<br>Alcentra to introduce a quantitative scorecard to use as part of their due diligence process.<br>As part of this Fund reporting, we would like to see ESG metrics for portfolio companies. |
| Partners Group PMCS 15 & 18 | Partners Group have an established ESG and Sustainability team and are able to clearly demonstrate the integration of ESG factors at Fund level.<br>Partners Group are also a leader in the private debt space in terms of their collaboration with other industry participants in relation to ESG. In the future Partners Group are looking to improve their regular reporting to investors on ESG metrics. | Partners Group should identify specific KPIs and targets for private debt portfolio companies (Isio to monitor the proportion of investments which include ratchets and the performance of companies relative to the agreed ESG KPIs).<br>Partners Group should identify clearer firm-wide priorities and targets as well as KPIs for private debt investments.<br>Provide more granular information/data on the diversity metrics in place at portfolio level, including ethnicity, LGBTQ+ and social mobility stats.<br>Partners Group should evidence where they have worked with portfolio companies to bring about a desired change and include in reporting.<br>Partners Group to provide regular quarterly reporting to investors on ESG metrics |
| Apollo Total Return Fund | Apollo integrate ESG considerations into the Fund's risk management framework, and in the due diligence process. Apollo can also evidence a variety of engagements on ESG issues.<br>Whilst ESG risks are assessed in initial due diligence, it is not clear how Apollo maintains ESG oversight throughout the credit holding period, and there are no priority areas identified for each holding. | Apollo should identify fund and issuer ESG priority areas with objectives and quantitative KPIs to drive ESG and climate outcomes.<br>Evidence active management of ESG risks throughout the credit holding period. Undertake scenario analysis and understand the Fund's portfolio alignment with explicit climate scenario outcomes.<br>Evidence engagement activity linked to engagement priority areas.<br>Enhance governance reporting capabilities and expand portfolio coverage for reported ESG metrics.<br>Collaborate more actively with market participants and ESG/climate organisations.<br>Collaborate more actively with market participants and ESG/climate organisations. |

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| PIMCO Diversified Income Fund | PIMCO have a robust risk management process to evaluate ESG risks in due diligence. They also demonstrate commitment to increasing awareness on a number of ESG issues, through collaboration with the wider market.<br>The Fund would benefit from better articulating broad ESG objectives at Fund level, as well as setting ESG priorities for each issuer where they identify specific ESG risks. Their ESG reporting in regular fund updates lags their peers, but they are working to improve this. | PIMCO should set ESG objectives to drive engagement priorities with each issuer where ESG risks are identified.<br>PIMCO should develop climate scenario modelling for the Fund to model forward-looking climate-related risks.<br>PIMCO should set ESG objectives at Fund level, for example, through agreeing a net zero plan including decarbonisation targets.<br>PIMCO should include ESG metrics and/or detail of fund engagement activities in regular fund reporting |
| Barings Investment Grade CLO Fund | Barings has a clear firm-wide ESG framework managed by a dedicated team of ten who are responsible for firm-wide ESG considerations.<br>Barings have made clear improvements in their investment approach through the inclusion of a scorecard system which is integrated into their overall view. However, the Fund has no ESG objectives set out in its guidelines. Further, given the nature of the asset class, there is a reliance on the CLO managers to incorporate ESG considerations during loan selection. | Barings to identify primary ESG risks and define related KPIs/objectives on a Fund level.<br>Barings' diversity and inclusion policies should be expanded to the wider business not just the US.<br>Barings' engagement triggers should be set and implemented based upon current ESG scores and ESG outlook scores for each CLO manager.<br>Barings to provide summary ESG reports of the portfolio and qualitative comments specific to the Fund in the quarterly report |
| LGIM Buy & Maintain Bond Mandate | LGIM have made a number of key improvements over the 12-month period. For instance, LGIM have appointed a dedicated Head of Responsible Investment Integration, refined their investment process to better reflect ESG factors and improved their stewardship approach to leverage off a wide range of assets across the firm. | LGIM to evidence the materiality of ESG considerations in the investment process.<br>LGIM should provide more detail on how they have engaged with the companies found in their Buy and Maintain portfolios, including information on the ESG issues that have been raised/addressed, and the outcome of LGIM intervention.<br>LGIM should provide standard and regular reporting (not only available on request), in relation to their Buy and Maintain offerings outlining<br>– the exposure to ESG risks<br>– carbon emissions exposure<br>– a fund-specific summary of voting and<br>– engagement activity |
| Schroders Segregated LDI Fund | Schroders utilise their own information and external data for assessing ESG risks in counterparties and their engagement record with counterparties and other market participants on a wide range of ESG issues is impressive.<br>There is potential for Schroders to incorporate ESG analysis into their reporting. | Schroders should continue to monitor survey responses and try to increase the number of respondents.<br>Schroders to consider possible changes to their reporting to incorporate ESG. |
| Vanguard Passive Equity Funds (including Standard Life Overseas Tracker Fund) | Vanguard have the basis of a sound ESG strategy through their Investment Stewardship team and four engagement principles.<br>There is evidence of clear engagement on the manager's four principles, however there are no specific targets for these engagements.<br>Vanguard lag behind competitors due to the inability provide key ESG metrics for Vanguard's Passive Equity fund range; such data allows clients to consider the ESG impact of underlying companies. | Vanguard should generate a metric to calculate the effectiveness of their Investment Stewardship Team's engagement.<br>Vanguard to provide details of engagements and voting data, as well as ESF metrics in regular reporting.<br>Vanguard should work with other investment managers to leverage a larger engagement presence on ESG issues. |

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| Blackrock iShares Passive Equity Funds | The BlackRock passive equity range provides a solid basis for ESG coverage with a net zero commitment by 2050.<br>However, there needs to be a clearer link between the stewardship policies and how these are implemented through engagements.<br>Improvement is also needed in the reporting and modelling of ESG data at the fund level. | BlackRock should provide a clearer link between the stewardship priorities and how these are implemented through engagement with portfolio companies.<br>BlackRock should seek to improve the scope of carbon reporting. |
| Blackrock Market Advantage Fund | The BlackRock Market Advantage Fund benefits from BlackRock's scale to drive improvements in its ESG capabilities.<br><br>The integration of ESG factors is clearly evident in the identification of risks and opportunities which ultimately translate into investment decisions. | BlackRock should consider producing regular diversity reports which clearly show BlackRock's and the fund's diversity metrics and the progress made towards any targets, which should align with the firm-wide diversity policies.<br>While the Fund is targeting Paris-alignment, BlackRock to consider running climate change scenario analysis on the portfolio. This can be via an external provider or through Aladdin Climate once available.<br>BlackRock should include the fund's ESG metrics as well as significant Voting & Engagement data in their quarterly reporting. |

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| Abrdn Active Corporate Bond Fund | Aberdeen Standard Investments ("Abrdn") collaboration and participation in various ESG initiatives is considered good practice.<br>ESG is considered throughout the overall investment process aided by their proprietary ESG house scorecard.<br>Abrdn has strong stewardship capabilities, led by their independent and dedicated Sustainable Investment team. | Abrdn to provide further clarity of how net zero will be implemented.<br>Abrdn to agree fund level stewardship priorities.<br>Abrdn to introduce ESG reporting as part of the regular quarterly fund reporting. |
| Blackrock Passive Gilt and Cash Funds | We feel BlackRock's approach to ESG within these mandates is lacking, partly due to the nature of the asset class, but also due to some improvements in data quality that still need to be addressed.<br>It is also not clear how they incorporate their stewardship priorities into their voting and engagement activity.<br>BlackRock are working to increase their reporting standards and data quality in 2021. | BlackRock to evidence how their stewardship activities align with their firm-wide stewardship priorities, particularly in reference to their policies on climate change and board diversity.<br>BlackRock to further evidence how their Sustainability Cash Rating tool can be used to identify ESG opportunities.<br>BlackRock to establish KPIs to drive their engagement priorities e.g. climate change targets.<br>BlackRock to report on engagement effectiveness at a fund level.<br>BlackRock to incorporate an engagement summary and ESG risk metrics in their regular fund reports. |
| ASI Property Fund | ASI continue to dedicate significant resources to ESG integration, both at a firm-wide level and across the real assets team. The Pooled Property Fund has comprehensive ESG policies and a thorough approach to implementing these policies<br>ASI compare favourably to peers in terms of the depth of ESG analysis they perform and the tangible and strong ESG case studies they are able to provide. | ASI to complete the plan towards Net Zero by 2050 and provide more clarity on the use of the Impact Dial tool.<br>ASI to model how various climate scenarios may affect the fund value.<br>ASI to clarify how the central Stewardship policy applies to the Fund.<br>ASI would benefit from including more detailed ESG metrics and information in standard reporting. |

# Engagement

As the Fund invests via fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12-month period to 31 March 2022.

| Fund name<br>DB Section | Engagement summary | Commentary |
|---|---|---|
| Bluecrest AllBlue Fund | We requested this data from the manager however currently the manager cannot produce this level of reporting. We are working with them to ensure that this data is available in the future. | |
| Alcentra – European Direct Lending (EDL) | Total Engagements: 128<br>Environmental: 30<br>Social: 36<br>Governance: 24<br>Strategy: 38<br><br>Data covers the 12-month period to 31 December 2021. | Alcentra believes that responsibly managed companies are better placed to achieve a sustainable competitive advantage and achieve strong long-term growth. ESG analysis can also uncover opportunities and support strong firm growth and financial performance. As a credit investor, Alcentra undertake a risk-based approach to integrating ESG factors into their processes.<br><br>Alcentra have provided details of their engagements but haven't provided us with the names of the companies. This includes:<br><br>"Company A" - Alcentra acts as a shareholder in Company A and have prioritised ESG as a central pillar to their strategy. As a result of engagement with the company, carbon reduction objectives and key performance indicators have been set. Alcentra have also discussed KPIs in terms of community service, employee diversity and employee satisfaction and have announced the launch of an event focused on sustainability in commercial marketing. |
| Partners Group PMCS 15 & 18 | Partners Group have not engaged on ESG Issues over the last 12 months. | Partners Group have a specialist ESG and Sustainability team, who support the business in achieving their ESG objectives. |
| Apollo Total Return Fund | Total engagements: 82<br>Environmental: 14<br>Governance: 36<br>Social: 2<br>Other: 30 | Apollo have a clear due diligence and engagement framework. The team continuously engages with portfolio companies through discussion with management. This engagement has been a key driver for the production of formal company ESG reports and key performance indicators. As bond investors, Apollo's voting rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors. |

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| | | Examples of significant engagements include:<br><br>Naked Juice LLC – Apollo met with the firm to discuss their ESG Policy. Naked Juice continue to utilise the PepsiCo ESG Policy and tracking until they separate and create a Tropicana specific policy and process which is expected to be defined post transaction close. PEP's ESG approach centres around 3 key pillars: 1) Positive agriculture 2) Positive Value Chain 3) Positive choices. For the Juice business, currently, the sustainability strategy is grounded in the business vision, and it ties directly to PepsiCo's strategic sustainability agenda. First, the business focuses on efforts to reduce virgin plastics. By Q1 of 2023, they will have converted much of the Tropicana business to rPET, reducing GHG emissions by 18%. Second, the cartons business is now fully recyclable with logos being added onto pack by Q1 '21. They will be expanding ESG policies and initiatives throughout the next 12 months as they continue the separation from PepsiCo.<br><br>Entegris, Inc.- Apollo engaged with Entegris as the firm published its first CSR annual report. Entegris has made a great deal of progress in CSR/ESG initiatives in a relatively short period of time. Some of the company's 2030 goals are to reduce energy consumption by more than 20%, achieve 100% energy consumption generated from renewable resources, and decrease water usage by more than 50% from 2020 levels. Entegris is striving for an injury-free work environment, to create an environment where more than 95% of colleagues feel Entegris is a safe place to work, and to achieve 100% manufacturing participation rate in proactive reporting of safety opportunities. Board of Directors diversity increased from 13% in 2020 to 38% in 2021. The board has 7 independent directors and 1 non-independent. There are no material ESG risks. |
| PIMCO Diversified Income Fund | PIMCO have engaged with more than 1,500 issuers between 01/01/2021 and 31/12/2021.<br><br>In total they had over 4,000 engagements with these issuers. This accounts for multiple interactions with the issuer throughout the year as well as multiple topics covered in each interaction. | We note that the PIMCO Diversified Income Fund influence on ESG issues is limited due to the nature of its underlying investments.<br><br>However, PIMCO believes that the company's position as an investor in a wide range of securities allows it to drive change through exclusions or evaluations alone. PIMCO also aims to engage with underlying issuers in a collaborative manner, with credit analysts regularly engaging with issuers they cover.<br><br>Examples of significant engagements include:<br><br>PIMCO engaged with one of the UK's leading clothing and food retailers about the issuer's disclosure plan on Scope 3 carbon emissions, their net zero roadmap, as well WWF (Worldwide Fund for Nature) Basket metrics. Throughout ongoing evaluation, PIMCO focused on TCFD requirements and the issuer's plans to align its 3-year investment plan with Net Zero. |

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| | PIMCO engaged with a company leading the development, sale and repair of computers and related products on labour rights issues in their supply chain. This included concerns surrounding compliance on working hours and forced-labour disputes. |

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| Barings Investment Grade CLO Fund | Barings' initiated 679 engagements across their fixed income platform, engaging with 350 entities.<br><br>This covers engagement activity across their Emerging Market Corporates, Investment Grade, Global High Yield and Korean Fixed Income investment teams. They are continuing to strengthen their engagement reporting to capture more fund-level engagement going forward. | We note that Barings ability to influence CLO managers is limited as an investor, but we are comforted by Baring's commitment to ESG through their business level ESG priorities and collection of ESG data from CLO managers to develop further insight into the industry.<br><br>Examples of significant engagements across their fixed income platform include:<br><br>Soft Drinks Manufacturer - Barings recently met with senior management of a soft drinks manufacturer to encourage the company to (1) improve its supply chain monitoring regarding key imported food ingredients and (2) to better promote recycling in its end markets and improve the mix of recycled materials in its production processes.<br><br>KCA Deutag - Barings has engaged with senior management at the company on a number of topics viewed as important for the company to address the energy transition over the mid-term. On the back of engagements, the company appointed ESG consultants in 2021 and will be disclosing emissions reduction targets in 2022. Dialogue has continued in Q1 2022. |
| LGIM Buy & Maintain Bond Mandate | Total Engagements: 171<br>Environmental: 93<br>Social: 65<br>Governance: 87<br>Other: 20<br><br>Each engagement could cover multiple topics so numbers may not add up to the total engagements shown. | LGIM's engagement with companies is done at a firm wide level rather than on a fund basis. This is spearheaded by the central Investment Stewardship Team. We believe that this is a sensible approach as it helps leverage on the size of total holdings to help drive change on any ESG issues.<br><br>The Active Equity, Active Fixed Income and Investment Stewardship team work together to ensure engagement is in the best interest of all investors. This is useful as engagement on equity holdings may be used for the interest of fixed income strategies. In times of conflicts, engagement is solely done by the Investment Stewardship team. |
| Schroders Segregated LDI Fund | Total Engagements: 73<br>Environmental: 12<br>Social: 4<br>Governance: 10<br>Other: 37<br><br>The data includes engagement with central banks, industry bodies and other relevant stakeholders to the LDI market. This is updated annually and covers the 12-month period to 31 December 2021. | We note that Schroders' ability to influence ESG topics surrounding LDI-related instruments is limited. However, Schroders have a firmwide ESG policy and have shown evidence of regular engagement with the relevant public bodies over the period. This includes attending working groups on issues surrounding reforming LIBOR, issues with gilt and repo markets, and derivatives.<br><br>Examples of significant engagements include:<br><br>Bank of England - Schroders engaged with the Bank of England over multiple issues, including the LIBOR reform in cross-currency markets, risk-free rate ("RFR") bonds, repo and Money Markets.<br><br>Standard Chartered - Schroders met with the bank to discuss their approach to fossil fuel financing and climate change. The bank has already committed to net zero for financing activities and plans to phase out thermal coal by 2030. Schroders also held a call with the Chairman, Company Secretary, and Global Head Sustainability Strategy to discuss their |

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| | | approach to net zero and interim targets set to date. All targets are science-based and use IEA scenario. Unlike HSBC, STAN's targets cover all sectoral lending, not just that with a >12-month initial term (in STAN's view this means that their commitments to date<br>cover 40% of Corporate & Commercial loans compared to just 4% at HSBC). |
| ASI Money Market Fund | We requested this data from the manager however currently the manager cannot produce this level of reporting at fund level. However, they currently produce a quarterly ESG report to provide a summary of their company engagement and voting activities. | |
| DC Section – Default Funds | | |
| BlackRock Market Advantage Fund | Total Engagements: 907<br>Environmental: 531<br>Social: 350<br>Governance: 786 | BlackRock's Investment Stewardship team engages with companies to provide feedback on their practices and inform their voting, including focussing on ESG considerations where there may be a long-term impact for these companies,<br>Examples of significant votes are included in the following section. |
| Standard Life Overseas Tracker Fund / Vanguard FTSE UK All Share Index Fund / Vanguard Emerging Markets Stock Index Fund | The Standard Life Overseas Tracker Fund invests in multiple sub-funds which are managed by Vanguard.<br>Vanguard have stated that they currently do not provide engagement data. We are working with them to ensure that this data is available in the future. | |
| iShares Index-Linked Gilts Fund | We requested this data from the manager however the manager cannot produce this level of reporting due to the nature of the asset class. | |

# Voting (for equity/multi asset funds only)

As the Fund invests via fund managers, the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2022. The managers also provided examples of any significant votes.

| Fund name | Voting summary | Examples of significant votes | Commentary |
|---|---|---|---|
| DB Section | | | |
| Bluecrest AllBlue Fund | We requested this data from the manager however currently the manager cannot produce this level of reporting. We are working with them to ensure that this data is available in the future. | n/a | n/a |
| DC Section – Default Funds | | | |
| BlackRock Market Advantage Fund | Votable proposals: 24,650<br>Proposals voted: 24,602<br>Votes with management: 22,889<br>Votes against management: 1,713<br>Abstain votes: 114 | **General Electric Company**<br>BlackRock voted against the election of Director Sebastien Bazin due to concerns that pay is not properly aligned with performance and/or peers.<br><br>There were also concerns that the CEO is unable to exercise sufficient oversight of the board as BlackRock believe they are serving on an excessive number of public company boards. | BlackRock Investment Stewardship prioritises themes they believe encourage sound governance practices and deliver sustainable long-term financial performance. The themes identified in turn shape their Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which BlackRock look at the sustainable long-term financial performance of investee companies. |

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| Standard Life Overseas Tracker Fund | The Fund invests in multiple sub-funds which are managed by Vanguard.<br><br>**Pacific Ex-Japan Stock Index Fund:**<br><br>Votable proposals: 1,108<br>Proposals voted: 1,108<br>Votes with management: 1,071<br>Votes against management: 37 Abstain votes: 0<br><br>**Japan Stock Index Fund:**<br>Votable proposals: 3,552<br>Proposals voted: 3,552<br>Votes with management: 3,531<br>Votes against management: 21<br>Abstain votes: 1<br>**US Equity Index Common Contractual Fund:**<br>Votable proposals: 6,843<br>Proposals voted: 6,663<br>Votes with management: 6,523<br>Votes against management: 140<br>Abstain votes: 0<br><br>**FTSE Developed Europe Ex-UK Equity Index Fund:**<br>Votable proposals: 9,042<br>Proposals voted: 8,879<br>Votes with management: 8,220<br>Votes against management: 659<br>Abstain votes: 22<br><br>**Shares S&P/TSX 60 Index ETF:**<br>Votable proposals: 770<br>Proposals voted: 770<br>Votes with management: 737<br>Votes against management: 33<br>Abstain votes: 1 | **Hermes International SCA**<br>Vanguard voted against the delegation of powers to the management board to issue shares.<br>This proposal is misaligned with Vanguard's voting policy.<br><br>**Bank of America Corporation**<br>Vanguard voted against the request for a racial equity audit. Vanguard agree that the proposal addresses a material risk but believe the Bank of America have already taken sufficient actions/progress pertaining to the request.<br><br>**Canadian National Railway Network**<br>Vanguard voted against the institution of a new Safety-Centered Bonus system for the company. This was due to Vanguard viewing executive compensation matters to be handled by the board's compensation committee, which can be held accountable for its decisions through the election of its directors. | Vanguard's Investment Stewardship website provides information about their investment stewardship program, their principles-based approach, perspectives and commentary, proxy voting guidelines, responsible investment policy, insights on environmental, social, and governance (ESG) topics, and proxy votes cast by underlying funds in the last proxy season<br><br>https://global.vanguard.com/portal/site/portal/investment-stewardship-overview. |

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| Vanguard FTSE UK All Share Index Fund | Votable proposals: 1,670<br>Proposals voted: 1,670<br>Votes with management: 1,662 | **Glencore Plc**<br>Vanguard voted for the approval of Glencore's climate action transition plan. Vanguard voted for this proposal as it addresses material risk(s), actions and is a plan with long-term benefits for | See above comments on Vanguard. |
| Vanguard Emerging Markets Stock Index Fund | Votable proposals: 26,203<br>Proposals voted: 26,094<br>Votes with management: 24,380<br>Votes against management: 1,714<br>Abstain votes: 715 | **Alibaba Group Holding Ltd**.<br>Vanguard voted against the election of Director Joseph C. Tsai as Vanguard found the Director not to be accountable due to insufficient board independence. | See above comments on Vanguard. |

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# Lloyd's Register Superannuation Fund Association (LRSFA)

## Chairman's Annual Governance Statement

## 1 April 2021 to 31 March 2022

## Money Purchase Section of LRSFA

## 1. Introduction

I am pleased to present the Trustee's Statement of Governance, covering the period 1st April 2021 to 31st March 2022, the 2021/22 Fund year ("the Fund 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;
- Net returns of the investment options; and
- The requirement for trustee knowledge and understanding,

## 2. Default arrangement

As at 31 March 2022, the following arrangement was 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:
        - 42% Standard Life Overseas Tracker
        - 21% SL Vanguard FTSE UK All Share Index
        - 7% SL Vanguard Emerging Markets Index
        - 30% BlackRock Market Advantage Fund
    - BlackRock Market Advantage Fund
    - iShares Index Linked Gilt

20 years out from the Selected Retirement Age, a member's fund is moved out of the Adventurous Fund into new holdings in the other two detailed funds. A full breakdown of the switching process is detailed in the Statement of Investment Principles.

Shortly after the Fund year end, the Adventurous Fund was updated to invest in the following allocations:

- Lloyd's Register Adventurous Fund:
    - 63% SL ASI Sustainable Index World Equity
    - 7% SL Vanguard Emerging Markets Index
    - 30% BlackRock Market Advantage Fund

The trades to complete this restructuring were completed on 13 May 2022.

### 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, prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the "Statement of Investment Principles"). The Statement of Investment Principles ("SIP") was reviewed and updated in February 2022 by the Trustee Board. Changes include an update to the strategic asset allocation for the Defined Benefit Section, as well as updating the underlying fund allocation for the LR Adventurous Fund (see details below).

### 2.2 Review of the default arrangement

The Trustee undertakes a review of the strategy and performance of the default arrangement on a quarterly basis. This includes consideration of the extent to which the default arrangement has performed in line with the aims and objectives of the SIP. The 2021 triennial review of the default strategy commenced in May 2021, this being three years after the last triennial review was carried out. As part of that review, the Trustee agreed to make a number of changes to the LR Adventurous Fund, which is used within the default strategy. This includes disinvesting from the Standard Life Overseas Tracker Equity and Vanguard FTSE UK All Share Equity Funds and reinvesting the proceeds in the ASI Sustainable Index World Equity Fund. The rationale for these changes were to take a more global approach and investing in a sustainable fund within the equity allocation. These changes were implemented shortly after the Fund year end.

The default arrangement has an AMC of 0.33% p.a. and was reviewed against the Charge Cap regulation and was confirmed to be within the regulations of this. The default AMC has been slightly reduced to 0.32% p.a. following the implementation of the default strategy changes.

## 3. Requirements for processing financial transactions

The Trustee regularly monitors core financial transactions of the Fund via the Fund administrator's administration report, which is provided on a quarterly basis. 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 for accuracy and timeliness against a service level agreement (SLA) put in place between the Fund and the administrator. This monitoring is carried out through the Operations Committee (a sub-committee of the Trustees) who meet and carry out this monitoring on a quarterly basis. As an example, for the quarter ending 31 March 2022, 99.1% of tasks were completed within the Fund administrator's target of within 10 working days.

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 2021 to 31 March 2022) promptly and accurately, 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 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.

| Fund | TER (%) | 2021/22 Transaction costs (%) | 2020/21 Transaction costs (%) | 2019/20 Transaction costs (%) | 2018/19 Transaction costs (%) | Average transaction costs (%) | Total costs (%) |
|---|---|---|---|---|---|---|---|
| LR Adventurous | 0.33 | 0.15 | 0.17 | 0.09 | 0.05 | 0.11 | 0.44 |
| LR Diversified Growth | 0.51 | 0.23 | 0.22 | 0.48 | 0.97 | 0.47 | 0.98 |
| LR Emerging Markets Equity | 0.39 | 0.19 | 0.05 | 0.18 | 0.49 | 0.23 | 0.62 |
| LR Fixed Income | 0.21 | 0.08 | 0.02 | 0.12 | -0.02 | 0.05 | 0.26 |
| LR Global Equity - Passive | 0.24 | 0.12 | 0.14 | 0.08 | 0.11 | 0.11 | 0.35 |
| LR Moderate | 0.31 | 0.11 | 0.13 | 0.16 | 0.08 | 0.12 | 0.43 |
| LR Property | 0.31 | -0.26 | 0.23 | 0.36 | 0.50 | 0.27 | 0.58 |
| LR SL BlackRock Cash | 0.27 | 0.02 | 0.01 | 0.01 | 0.00 | 0.01 | 0.28 |
| LR SL iShares Index Linked Gilt Index | 0.21 | 0.08 | 0.04 | 0.06 | 0.09 | 0.07 | 0.28 |
| LR SL iShares Over 15 Year Gilt Index | 0.21 | 0.04 | -0.04 | -0.03 | 0.07 | 0.03 | 0.24 |
| LR SL iShares UK Equity Index | 0.23 | 0.08 | 0.43 | 0.11 | 0.25 | 0.22 | 0.45 |
| LR Standard Life Long Corporate Bond | 0.22 | 0.50 | -0.26 | 0.20 | -1.21 | 0.18 | 0.40 |
| LR Sustainable Investments | 0.30 | 0.10 | 0.03 | 0.00 | 0.00 | 0.03 | 0.33 |

The Trustee is also required to disclose the level of any transaction costs. These are incurred when the Fund'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 Isio, based on information provided by Standard Life as the appointed investment platform provider. When preparing this section of the statement the Trustee has taken account of statutory guidance. Transaction costs have been obtained for each year since 2018, which is when the new requirements were introduced, as Standard Life are unable to provide longer term data. Where the transaction cost is a negative number, this means the returns on the fund have been positively affected by the transaction costs.

Illustrations about the cumulative effect of costs and charges on member savings within the Fund are set out in the Appendix.

### 4.2 Value assessment

In accordance with regulation 25(1) (b) of the Administration Regulations, the Trustee has assessed the extent to which the 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, Isio, undertook a value for members' assessment. In addition, the Trustee's objective in respect of targeting "best member outcomes" applies when providing value for members.

In line with previous years, 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 based on Isio's assessment of the Fund compared to their knowledge of the wider market, with particular strengths in Fund design, contributions and associated benefits, administration and education and engagement. This is also an increase in weighted score from the last assessment, with continued improvement within education and engagement.

The assessment which took place looked at 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 0.33%;
- 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 governing the Fund;
- There is a wide range of funds for members to invest in, including main and alternative asset classes. The Trustees agreed to introduce a new ESG fund option into the default, and it is also noted that the Trustees received training on the Security of Assets during the Fund Year;
- The quality of administration provided by Standard Life was of a high standard relative to other providers over the year and the Trustees now have access to an online analytics tool so they have real time access to governance information on the Fund;
- The Fund has a flexible and very competitive contribution structure;
- Members have access to Salary Exchange and the full employer National Insurance saving is passed back to the member through additional salary; and
- The Fund's communications are clear and informative, and are supplemented by the Trustee through a specialist communications consultant. It is noted that an annual member survey is carried out and the Fund won two external awards for its communications during the Fund Year.

## 5. Net investment returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 introduces new requirements for Trustees of DC pension schemes. From 1 October 2021, the Trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. The Trustees calculated the return on investments, as far as they were able to do so.

Below are the annualised net investment returns to 31 March 2022 for all funds where no lifestyling takes place.

| Fund | 1 Year (%) | *Since inception (% p.a.) |
|---|---|---|
| LR Adventurous Fund | 10.15 | 7.00 |
| LR Diversified Growth | 2.06 | 2.42 |
| LR Emerging Markets Equity Fund | -4.02 | 0.97 |
| LR Fixed Income Fund | -2.01 | 3.50 |
| LR Global Equity | 13.79 | 11.76 |
| LR Moderate Fund | 3.89 | 5.27 |
| LR Property Fund | 23.98 | 5.80 |
| LR SL BlackRock Cash Pension Fund | 0.26 | 0.39 |
| LR SL iShares Index Linked Gilt Index Pension Fund | 3.49 | 4.27 |
| LR SL iShares Over 15 Year Gilt Index Pension Fund | -8.02 | 0.77 |
| LR SL iShares UK Equity Index Pension Fund | 12.97 | 3.91 |
| LR Standard Life Long Corporate Bond Pension Fund | -7.46 | 2.46 |
| LR Sustainable Investments | 12.69 | 10.84 |

*Note – Since inception net investment returns from 1 September 2018 to 31 March 2022.

Below are the annualised net investment returns to 31 March 2022 for all funds where lifestyling takes place.

### Default lifestyle

| Age of member at beginning of period (years) | 1 Year (%)<br>1 April 2021 – 31 March 2022 | 3 Years (% p.a.)<br>1 April 2019 – 31 March 2022 |
|---|---|---|
| 25 | 10.15 | 8.94 |
| 45 | 10.15 | 8.73 |
| 55 | 7.80 | 6.31 |

## Legacy lifestyles

5-year legacy

| Age of member at beginning of period (years) | 1 Year (%)<br>1 April 2021 – 31 March 2022 | 3 Years (% p.a.)<br>1 April 2019 – 31 March 2022 |
|---|---|---|
| 25 | 10.15 | 8.94 |
| 45 | 10.15 | 8.94 |
| 55 | 10.15 | 8.94 |

10-year legacy

| Age of member at beginning of period (years) | 1 Year (%)<br>1 April 2021 – 31 March 2022 | 3 Years (% p.a.)<br>1 April 2019 – 31 March 2022 |
|---|---|---|
| 25 | 10.15 | 8.94 |
| 45 | 10.15 | 8.94 |
| 55 | 10.15 | 7.22 |

15-year legacy

| Age of member at beginning of period (years) | 1 Year (%)<br>1 April 2021 – 31 March 2022 | 3 Years (% p.a.)<br>1 April 2019 – 31 March 2022 |
|---|---|---|
| 25 | 10.15 | 8.94 |
| 45 | 10.15 | 8.94 |
| 55 | 7.11 | 6.54 |

Notes:

- Longer term returns are not available from the Standard Life due to the inception date of the funds
- Returns are calculated as the annual geometric mean
- Age-related returns for members in lifestyle strategies assume annual switching in the glidepath and a retirement age of 65

## 6. 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 changes relating to pensions and trust law and requirements in order to meet its objectives.

During each scheme year the Trustee meets for a training session covering a specific topic, the topics change from year to year with this year focusing on GMP equalisation and GMP rectification, Transfer Conditions and Pension Scams and TPR Single Code of Practice with past years covering funding principles, investment and legal scenarios.

All the key documents and policies relating to the Fund 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.

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 advisers of the Fund. In particular, specific DC training topics discussed during the Fund year included:

- Increasing Normal Minimum Pension Age
- Introduction of Pension dashboards
- Simplified Annual Benefit Statements
- Stronger "nudge" to pensions guidance
- New Value for Member requirements
- Options for dealing with small pension pots
- Introduction of Investment Retirement Pathways
- PLSA Responsible Investment Quality Mark

During the Scheme 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 Scheme Year by formally adopting an enhanced training schedule.

[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 Fund 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 Fund 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 Fund.

*Key points to note*

The tables below illustrate the potential impact that costs and charges might have on different investment options provided by the Fund. 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 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 and the lowest expected return (LR SL iShares Over 15 Year Gilt Index Fund)
4. The fund with the highest expected return (LR SL Sustainable Investments)

**Member projections – the default lifestyle arrangement**

The table sets out how the pension pot of members currently aged 20 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 | | | | |
|---|---|---|---|---|
| | 20-year-old member | | 44-year-old member | |
| Years from 31/3/22 | Before charges (£) | After all costs and charges deducted (£) | Before charges (£) | After all costs and charges deducted (£) |
| 1 | 3,824 | 3,815 | 47,146 | 46,964 |
| 3 | 10,825 | 10,751 | 68,491 | 67,786 |
| 5 | 18,324 | 18,119 | 91,171 | 89,669 |
| 10 | 39,494 | 38,604 | 153,525 | 148,465 |
| 15 | 64,637 | 62,421 | 221,508 | 210,016 |
| 20 | 94,498 | 90,111 | 285,268 | 264,308 |
| 21 | 101,112 | 96,168 | 296,821 | 273,645 |
| 25 | 129,965 | 122,306 | | |
| 30 | 171,249 | 158,747 | | |
| 35 | 217,024 | 197,335 | | |
| 40 | 262,636 | 233,341 | | |
| 45 | 298,508 | 258,087 | | |

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 £500 for the 20-year-old member and £37,000 for the 44-year-old member.
4. Inflation is assumed to be 2.5% each year.
5. Gross contributions for the 20-year-old member are assumed to be £3,250 each year, this is based on a salary of £25,000 and total contributions of 13%. The 44-year-old member is assumed to contribute £8,700 each year, this is based on an average salary of £43,500 and total contributions of 20%. 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:

   3.5% for periods up to 20 years to retirement

   3.2% when a member is 15 years from retirement

   2.9% when a member is 10 years from retirement

   1.8% 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

| 20-year-old member | | | | |
|---|---|---|---|---|
| Years from 31/3/22 | LR Diversified Growth | | LR SL iShares Over 15 Year Gilt Index | |
| | Before charges (£) | After all costs and charges deducted (£) | Before charges (£) | After all costs and charges deducted (£) |
| 1 | 3,782 | 3,761 | 3,718 | 3,713 |
| 3 | 10,494 | 10,334 | 10,010 | 9,972 |
| 5 | 17,409 | 16,976 | 16,115 | 16,015 |
| 10 | 35,624 | 33,884 | 30,593 | 30,227 |
| 15 | 55,247 | 51,237 | 44,017 | 43,244 |
| 20 | 76,387 | 69,045 | 56,465 | 55,167 |
| 25 | 99,160 | 87,322 | 68,006 | 66,089 |
| 30 | 123,694 | 106,079 | 78,707 | 76,093 |
| 35 | 150,123 | 125,328 | 88,630 | 85,257 |
| 40 | 178,596 | 145,083 | 97,830 | 93,650 |
| 45 | 209,268 | 165,357 | 106,361 | 101,338 |

| 44-year-old member | | | | |
|---|---|---|---|---|
| Years from 31/3/22 | LR Diversified Growth | | LR SL iShares Over 15 Year Gilt Index | |
| | Before charges (£) | After all costs and charges deducted (£) | Before charges (£) | After all costs and charges deducted (£) |
| 1 | 46,320 | 45,915 | 45,080 | 44,980 |
| 3 | 65,382 | 63,884 | 60,877 | 60,526 |
| 5 | 85,019 | 82,041 | 76,204 | 75,536 |
| 10 | 136,749 | 128,265 | 112,554 | 110,835 |
| 15 | 192,478 | 175,704 | 146,258 | 143,167 |
| 21 | 265,065 | 234,278 | 183,482 | 178,400 |

The tables above show the projected pots for a member aged 20 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 SL iShares Over 15 Year Gilt Index has the lowest charges of all funds available. Please read the Notes below for more details around the assumptions used.

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

| 20-year-old member | | | | |
|---|---|---|---|---|
| Years from 31/3/22 | LR Sustainable Investments | | LR SL iShares Over 15 Year Gilt Index | |
| | Before charges (£) | After all costs and charges deducted (£) | Before charges (£) | After all costs and charges deducted (£) |
| 1 | 3,845 | 3,838 | 3,718 | 3,713 |
| 3 | 10,993 | 10,937 | 10,010 | 9,972 |
| 5 | 18,799 | 18,641 | 16,115 | 16,015 |
| 10 | 41,602 | 40,893 | 30,593 | 30,227 |
| 15 | 70,019 | 68,188 | 44,017 | 43,244 |
| 20 | 105,432 | 101,669 | 56,465 | 55,167 |
| 25 | 149,563 | 142,737 | 68,006 | 66,089 |
| 30 | 204,558 | 193,113 | 78,707 | 76,093 |
| 35 | 273,092 | 254,905 | 88,630 | 85,257 |
| 40 | 358,497 | 330,702 | 97,830 | 93,650 |
| 45 | 464,928 | 423,676 | 106,361 | 101,338 |

| 44-year-old member | | | | |
|---|---|---|---|---|
| Years from 31/3/22 | LR Sustainable Investments | | LR SL iShares Over 15 Year Gilt Index | |
| | Before charges (£) | After all costs and charges deducted (£) | Before charges (£) | After all costs and charges deducted (£) |
| 1 | 47,559 | 47,422 | 45,080 | 44,980 |
| 3 | 70,123 | 69,589 | 60,877 | 60,526 |
| 5 | 94,763 | 93,643 | 76,204 | 75,536 |
| 10 | 166,746 | 163,124 | 112,554 | 110,835 |
| 15 | 256,450 | 248,351 | 146,258 | 143,167 |
| 21 | 393,702 | 376,487 | 183,482 | 178,400 |

The tables above show the projected pots for a member aged 20 and a member aged 44 invested in the above funds. The LR Sustainable Investments Fund has the highest expected return of all funds available, while the LR SL iShares Over 15 Year Gilt Index has the lowest expected return 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 20-year-old member (the youngest member) and a 44-year-old member (which is the average age of Scheme members). The projections are to age 65 (i.e. in 45 and 21 years' time respectively).
2. The starting pot size for the 20-year-old member is assumed to be £500, 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 £37,000.
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 20-year-old member, the illustrations assume ongoing contributions of £3,250 each year; this is based on a salary of £25,000 and total contributions of 13%. For the 44-year-old member, the illustrations assume ongoing contributions of £8,700 each year; this is based on an average salary of £43,500 and total contributions of 20%.
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 SL iShares Over 15 Year Gilt Index Fund | -1.0% |
| LR Sustainable Investments | 4.5% |