



**AVON RUBBER RETIREMENT AND DEATH BENEFITS PLAN  
ANNUAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2020  
Scheme Registration Number: 10000086**

## **Avon Rubber Retirement and Death Benefits Plan**

### **Annual Report for the year ended 31 March 2020**

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## **Avon Rubber Retirement and Death Benefits Plan**

**Annual Report for the year ended 31 March 2020**

**Trustee, Sponsoring Employer and Advisers**

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### **Trustee**

Avon Rubber Pension Trust Limited

### **Employer-nominated Trustee Directors**

M Ingrey-Counter - Chairman

M Harrel

Z Holland

R Wills

### **Member-nominated Trustee Directors**

E Fielding

D Little

### **Sponsoring Employer**

Avon Rubber plc

### **Plan Actuary**

S Hoare, F.I.A.

Aon Hewitt Limited

### **Independent Auditor**

KPMG LLP

### **Administrators**

#### **Defined Benefit Section**

Mercer Limited

#### **Defined Contribution Section**

Standard Life Assurance Limited

### **Investment Managers**

#### **Defined Benefit Section**

BlackRock Investment Management (UK) Limited

First Eagle Asset Management, LLC (until 5 December 2019)

CQS Management Limited (from 1 May 2019)

Insight Investment

JP Morgan

Majedle Asset Management Limited

Shenkman Capital Management Limited (Finsbury) (until 23 April 2019)

Skagen Funds Limited (until 27 September 2019)

Ruffer LLP

ARES (appointed 23 December 2019)

#### **Defined Contribution Section**

Standard Life Assurance Limited

### **Investment Adviser**

Mercer Limited

## **Avon Rubber Retirement and Death Benefits Plan**

**Annual Report for the year ended 31 March 2020**

**Trustee, Sponsoring Employer and Advisers**

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### **Annuity Providers**

Assicurazioni Generali

Legal & General Assurance Society Annuities

Aviva

Standard Life Assurance Limited

### **Additional Voluntary Contribution (AVC) Providers**

#### **Defined Benefit Section**

Standard Life Assurance Company

Utmost Life and Pensions Limited (formerly The Equitable Life Assurance Society until 31 December 2019)

### **Bank**

National Westminster Bank plc

### **Legal Adviser**

Burges Salmon

### **Governance Advisers**

Aon Hewitt Limited

### **Contact for further information and complaints about the Plan**

M Ingreyc-Counter

Avon Rubber plc

Corporate Headquarters

Hampton Park West, Semington Road

Melksham

Wiltshire

SN12 6NB

Telephone: 01225 896850

Email: [miles.ingrey-counter@avon-rubber.com](mailto:miles.ingrey-counter@avon-rubber.com)

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Trustee's Report

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#### Introduction

The Trustee of the Avon Rubber Retirement and Death Benefits Plan (the Plan) is pleased to present its report together with the audited financial statements for the year ended 31 March 2020. The Plan is a hybrid scheme, comprising a Defined Benefit Section and a Defined Contribution Section.

#### Constitution

The Avon Rubber Retirement and Death Benefit Plan (the Plan) is an occupational pension scheme established in the United Kingdom under trust and according to the law in England.

The Plan was established on 1 April 1947 and is governed by a definitive trust deed and subsequent amendments. The registered address is Avon Rubber plc, Corporate Headquarters, Hampton Park West, Semington Road, Melksham, Wiltshire SN12 6NB.

#### Management of the Plan

##### Trustee

The Trustee who served during the year is listed on page 1.

In accordance with the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006, members have the option to nominate and vote for Member-nominated Trustee Directors.

The two Member-nominated Trustee Directors, as shown on page 1, are nominated by the members under the rules notified to the members of the Plan. They may be removed before the end of their term only by agreement of all the remaining Trustee Directors, although their appointment ceases if they cease to be members of the Plan.

In accordance with the trust deed, the Sponsoring Employer, Avon Rubber plc, has the power to appoint and remove the Trustee of the Plan. The Directors of Avon Rubber Pension Trust Limited are appointed and removed in accordance with the Company's Articles of Association.

##### Statement of Trustee's Responsibilities

The Statement of Trustee's Responsibilities is set out on page 17 and forms part of this Trustee's Report.

##### Governance and risk management

The Trustee has in place a business plan which sets out its objectives in areas such as administration, investment and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustee run the Plan efficiently and serves as a useful reference document.

The Trustee operate an integrated approach to risk management through the adoption of a comprehensive Integrated Risk Management governance framework document. This document comprises a series of dashboards allowing the Trustees to continuously monitor key indicators such as: (i) the Plan's funding level (through assets and liabilities); (ii) the Plan's strategic asset allocation (relative to the benchmark allocation); (iii) the value of the Plan's wider risk register; and (iv) ongoing monitoring of agreed de-risking solutions.

A wider risk register is also maintained which sets out a comprehensive list of the Plan's risks coupled with the control measures in place to mitigate these risks. Each risk is ranked according to its likelihood and impact (this subsequent score determining which risks are 'key' and feature in the IRM governance framework document referred to above). The full risk register is regularly reviewed and updated by the Trustee.

##### Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006 and which was revised and reissued in November 2009. The Trustee has agreed a training plan to enable it to meet these requirements.

## **Avon Rubber Retirement and Death Benefits Plan**

### **Annual Report for the year ended 31 March 2020**

#### **Trustee's Report**

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##### **Sponsoring Employer**

The Plan is provided for all eligible employees of the Sponsoring Employer whose registered address is Avon Rubber plc, Corporate Headquarters, Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB.

##### **Financial development**

The financial statements on pages 20 to 32 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund decreased from £335,764,000 at 31 March 2019 to £316,850,000 at 31 March 2020.

The decrease shown above comprised net withdrawals from dealings with members of £15,746,000 together with net returns on investments of (£3,168,000).

##### **Impact of COVID-19 (Coronavirus)**

In early 2020, a new coronavirus (COVID-19), impacted a significant number of countries globally. COVID-19 has caused disruption to economic activity which has been reflected in recent fluctuations in global stock markets and, in turn, in the valuation of Plan assets. The Trustee considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. The Trustee has designed and implemented the Plan's investment strategy taking account a long term view (and have built in resilience to withstand short term fluctuations). Given the inherent uncertainties, it is not practicable at this time to provide a quantitative estimate of the impact of this disruption to the Plan's asset valuation at the date of approval of these financial statements.

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Trustee's Report

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#### Membership

The membership movements of the Plan for the year are given below:

##### Defined Benefit Section

|                                | Deferreds    | Pensioners   | Total        |
|--------------------------------|--------------|--------------|--------------|
| At 1 April 2019                | 1,327        | 2,018        | 3,345        |
| Adjustments                    | (4)          | 13           | 9            |
| Leavers with deferred benefits | (49)         | 49           | -            |
| Deaths                         | (9)          | (89)         | (98)         |
| Transfers out                  | (6)          | -            | (6)          |
| Spouses and dependants         | -            | 27           | 27           |
| Pensions commuted for cash     | -            | (5)          | (5)          |
| Pensions ceasing               | -            | (1)          | (1)          |
| Trivial commutations           | (2)          | -            | (2)          |
| At 31 March 2020               | <u>1,257</u> | <u>2,012</u> | <u>3,269</u> |

##### Defined Contribution Section

|                                | Actives    | Deferreds  | Total      |
|--------------------------------|------------|------------|------------|
| At 1 April 2019                | 224        | 135        | 359        |
| Adjustments                    | 1          | 2          | 3          |
| New entrants                   | 90         | -          | 90         |
| Retirements                    | -          | (1)        | (1)        |
| Leavers with deferred benefits | (31)       | 31         | -          |
| Transfers out                  | (2)        | (9)        | (11)       |
| Death                          | -          | (1)        | (1)        |
| Autoenrolment Opt Out          | -          | (1)        | (1)        |
| At 31 March 2020               | <u>282</u> | <u>156</u> | <u>438</u> |

Pensioners include 452 (2019: 452) spouse and dependants receiving a pension.

Included within the above are 175 (2019: 177) annuitants.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

#### Pension Increases

Pre 2005 pensions in payment as at April 2019 were increased by 3.3% (2018: 3.9%). Post 2005 pensions in payment were increased by 2.5% (2018: 2.5%). Increases on any Guaranteed Minimum Pension (GMP) for service after 6 April 1988 were increased by 2.4% (2018: 3.0%). Increases do not apply to any GMP which was earned in respect of service before April 1988, since this pension is increased separately by the State. Increases calculated in this manner are guaranteed.

#### Calculation of transfer values

Transfer values paid during the year were calculated and verified in the manner required by the Regulations made under Section 97 of the Pension Schemes Act 1993 and do not include discretionary benefits. None of the transfer values paid was less than the amount provided by the Regulations.

#### Brexit

The United Kingdom withdrew from the European Union on 31 January 2020. While the United Kingdom has agreed the terms of its EU departure, both sides still need to decide what their future relationship will look like and this will be worked out during the transition period which is due to end on 31 December 2020. The Trustee will continue to monitor developments to evaluate the potential implications on the Plan.

**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 the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Sponsoring Employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

The most recent full actuarial valuation of the Plan was carried out as at 31 March 2016. Updated valuations were performed on 31 March 2017 and 31 March 2018. These showed:

|                                       | 31 March 2016  | 31 March 2017  | 31 March 2018  |
|---------------------------------------|----------------|----------------|----------------|
| The value of Technical Provisions was | £332.4 million | £367.6 million | £360.1 million |
| The value of assets was               | £298.6 million | £334.1 million | £318.9 million |
| Percentage of Technical Provisions    | 90%            | 91%            | 89%            |

A triennial valuation is being carried out as at 31 March 2019.

The method and the main actuarial assumptions used to determine the technical provisions are set out below (all assumptions adopted are set out in the Appendices to the Statement of Funding Principles).

**Method**

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

The derivation of these key assumptions and an explanation of the other assumptions to be used in the calculation of the technical provisions are set out below.

**Actuarial assumptions for valuation as at 31 March 2016**

|   |  |
|---|--|
| Discount rate                                     | The discount rate is derived from the Bank of England fixed interest gilt yield curve at the valuation date.<br><br>Before age 65: gilt yield curve plus 3.0% p.a.<br>After age 65: gilt yield curve plus 1.0% p.a.  |
| RPI inflation:                                    | The assumption is derived from the difference between the market yields on fixed interest and index-linked gilts at the valuation.   |
| CPI inflation:                                    | The assumption is derived by deducting 1.1% p.a. from the RPI inflation assumption.  |
| Increases in pensions payment                     | Pension increase assumptions for pension in excess of GMP are derived from the RPI inflation assumption allowing for the minimum and maximum annual increase, and for RPI inflation to vary from year to year.<br><br>The pension increase assumption for post 88 GMP is derived from the CPI inflation assumption allowing for the minimum and maximum annual increase, and for CPI inflation to vary from year to year.  |
| Revaluation of deferred pensions in excess of GMP | Derived from the CPI inflation assumption.   |
| Mortality   | Pre-retirement mortality: <ul style="list-style-type: none"><li>• 100% of standard table AX92 Ultimate</li></ul> Post-retirement mortality:<br>Base mortality table: <ul style="list-style-type: none"><li>• 95% of standard table S2PxA appropriate for each member's sex and year of birth</li></ul> An allowance for improvements from 2007 will be made in line with the CMI 2015 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.5% p.a. |



## **Investment management**

### **General**

All investments have been managed during the year under review by the investment managers, annuity providers and AVC providers detailed in the list of Plan advisers on pages 1 to 2. There is a degree of delegation of responsibility for investment decisions.

The investment strategy is agreed by the Trustee after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal market sectors, the day-to-day management of the Plan's asset portfolio, which includes full discretion for stock selection, is the responsibility of the investment managers.

### **Investment principles**

The Trustee has produced a Statement of Investment Principles (SIP) in accordance with Section 35 of the Pensions Act 1995. A copy of the SIP is available upon request, an extract in relation to the Defined Contribution section is attached. The main priority of the Trustee when considering the investment policy for the Defined Benefit Section is to ensure that the promises made about members' pensions may be fulfilled. The main priority of the Trustee when considering the investment policy for the Defined Contribution Section is to make available investment funds which serve to meet the varying investment needs and risk tolerances of the members.

### **Responsible investment and corporate governance**

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee expects the Plan's investment managers to evaluate ESG factors, including climate change considerations, when making investment decisions. The Trustee also expects the relevant investment managers to exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee considers how ESG, climate change and stewardship is integrated within the investment process in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented periodically.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

The Trustee does not explicitly consult members when making investment decisions.

### **Code of Best Practice**

The principles set out in the Code of Best Practice are high level principles which aid trustees in their investment and governance decision making. While they are voluntary, pension scheme trustees are expected to consider their applicability to their own scheme and report on a 'comply or explain' basis how they have used them.

The principles emphasise the essentials of investment governance, notably the importance of effective decision making, clear investment objectives and a focus on the nature of each scheme's liabilities. The principles also require that trustees include a statement of the scheme's policy on responsible ownership in the Statement of Investment Principles and report periodically to members on the discharge of these responsibilities.

The Trustee considers that its investment policies and their implementation are in keeping with these principles.

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Trustee's Report

##### Review of investment performance

The performance of the Plan's investments is shown in the table below:

##### Defined Benefit Section

|                            | 1 year ended<br>31/03/2020 | 3 years ended<br>31/03/2020 | 5 years ended<br>31/03/2020 |
|----------------------------|----------------------------|-----------------------------|-----------------------------|
|                            | %                          | % p.a.                      | % p.a.                      |
| Composite actual return    | -0.9                       | 1.7                         | 4.0                         |
| Composite benchmark return | 1.7                        | 3.1                         | 4.8                         |

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Thomson Reuters Datastream.

##### Defined Contribution Section

|   | 1 Year |        | 3 Years |        | 5 Years |        |
|---|--------|--------|---------|--------|---------|--------|
|   | Fund   | B'mark | Fund    | B'mark | Fund    | B'mark |
|   | %      | %      | (%)     | (%)    | (%)     | (%)    |
| Standard Life Active Plus III Pension Fund                        | -7.42  | -6.86  | -1.74   | 0.94   | 9.28    | 16.13  |
| Standard Life At Retirement (Active Plus Universal) Pension Fund  | -4.10  | -3.54  | -0.26   | 1.63   | 4.45    | 8.49   |
| Standard Life Pre Retirement (Active Plus Universal) Pension Fund | -5.77  | -5.00  | -0.95   | 1.49   | 5.46    | 11.46  |
| Standard Life Passive Plus III Pension Fund                       | -6.98  | -5.66  | -0.48   | 1.89   | 12.70   | 17.08  |
| Standard Life Active Plus IV Pension Fund                         | -9.25  | -8.83  | -3.23   | -0.03  | 9.13    | 17.87  |
| Standard Life Active Plus V Pension Fund                          | -11.15 | -11.26 | -5.46   | -2.76  | 10.22   | 17.47  |
| Standard Life MyFolio Managed V Pension Fund                      | -12.69 | -8.86  | -8.03   | 0.10   | 7.28    | 21.38  |
| Standard Life At Retirement (Passive Plus Universal) Pension Fund | -3.50  | -3.37  | 0.92    | 1.65   | 10.78   | 12.04  |
| SL SLI UK Smaller Companies Pension Fund                          | -3.07  | -25.91 | 18.70   | -23.01 | 62.88   | -4.72  |
| Standard Life MyFolio Managed IV Pension Fund                     | -11.93 | -7.93  | -6.66   | 0.41   | 6.76    | 19.05  |
| SL Vanguard US Equity Pension Fund                                | -1.41  | -1.10  | 17.23   | 18.32  | 64.33   | 66.93  |
| Standard Life UK Gilt Pension Fund                                | 10.89  | 9.94   | 14.88   | 14.54  | 24.90   | 26.10  |
| Standard Life Passive Plus V Pension Fund                         | -11.62 | -10.26 | -4.09   | -1.91  | 13.89   | 19.00  |
| Standard Life Asia Pacific ex Japan Equity Pension                | -9.24  | -10.67 | 2.83    | 0.39   | 25.18   | 25.24  |
| SL SLI Global Smaller Companies Pension Fund                      | -12.84 | -19.01 | 6.72    | -11.51 | 49.26   | 18.44  |
| Standard Life Passive Plus IV Pension Fund                        | -9.11  | -8.01  | -1.82   | 0.30   | 13.56   | 18.05  |
| SL Shares UK Gilts All Stocks Index Pension Fund                  | 10.39  | 9.94   | 14.24   | 14.54  | 25.69   | 26.10  |
| SL Invesco High Income Pension Fund                               | -33.71 | -18.45 | -37.88  | -12.19 | -31.69  | 2.89   |
| SL SLI UK Equity Unconstrained Pension Fund                       | -37.80 | -21.80 | -37.50  | -19.10 | -36.80  | -8.20  |
| Standard Life North American Equity Pension Fund                  | 3.70   | -4.60  | 14.30   | 9.20   | 53.8    | 44.90  |
| SL Janus Henderson European Selected Opps Pension Fund            | -4.90  | -9.60  | -4.20   | -6.70  | 11.30   | 12.00  |
| SL BlackRock ACS World ex UK Equity Tracker Pension Fund          | -3.80  | -7.80  | 6.60    | 0.60   | 39.80   | 25.30  |
| SL Fidelity Asia Pension Fund                                     | -6.90  | -12.10 | 9.50    | -3.90  | 38.60   | 19.90  |
| SL ASI (SLI) Emerging Markets Equity Pension Fund                 | -12.50 | -16.70 | -4.70   | -11.10 | 18.60   | 11.90  |
| SL BlackRock ACS Continental European Eq Trk Plan Fd              | -8.70  | -9.60  | -5.30   | -6.70  | 11.20   | 12.00  |
| SL Schroder UK Mid 250 Pension Fund                               | -28.50 | -21.00 | -27.80  | -18.20 | -22.90  | -7.50  |
| SL Merian UK Mid Cap Pension Fund                                 | -22.10 | 21.00  | -21.70  | 18.20  | 3.20    | -7.50  |
| Standard Life Property Pension Fund                               | -2.20  | -3.10  | 4.40    | 8.00   | 12.10   | 15.80  |
| Standard Life Money Market Pension Fund                           | -0.10  | 0.30   | -0.80   | -0.60  | -1.30   | 0.90   |

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Trustee's Report

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#### Custodial arrangements

The custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the custodians' nominee companies in line with common practice for pension scheme investments. The Investment Managers have appointed the following:

| Investment Manager                  | Custodian(s)                                     |
|-------------------------------------|--|
| <b>Defined Benefit Section</b>      |  |
| Majedie - UK Focus Fund             | Bank of New York Mellon                          |
| Insight - Broad Opportunities Fund  | Bank of New York Mellon                          |
| Ruffer - Absolute Return Fund       | Bank of New York Mellon<br>RBC Investor Services |
| CQS - Multi Asset Credit Fund       | JP Morgan Hedge Fund Services (Ireland)          |
| Ares - Secured Finance Fund         | Bank of New York Mellon<br>BNP Paribas           |
| BlackRock - LDI                     | JP Morgan Bank (Ireland) plc                     |
| <b>Defined Contribution Section</b> |  |
| Standard Life Assurance Limited     | Citibank N.A.                                    |

PFT Limited, a wholly owned subsidiary of Mercer Limited, has been appointed by the Trustee as custodian of the cash held in connection with the administration of the Plan.

#### GMP equalisation

On 26 October 2018, the High Court ruled that benefits provided to members who had contracted out of their Plan must be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 6 April 1997. Following the ruling, it is expected that the Trustees will need to equalise guaranteed minimum pensions between men and women and this will result in an additional liability for the Plan. The Trustee is awaiting further guidance from Government bodies before carrying out this exercise. Any back payments and related interest will be accounted for in the year of payment.

#### The Money and Pension Service

The Money and Pension Service (formerly called the Single Financial Guidance Body) can give you information about matters relating to workplace and personal pensions. Its website is currently: <https://singlefinancialguidancebody.org.uk>.

#### The Pensions Regulator

The statutory body that regulates occupational pension schemes is the Pensions Regulator and it can be contacted at:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW  
Telephone: 0345 600 0707  
Email: [customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)  
Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## **Avon Rubber Retirement and Death Benefits Plan**

### **Annual Report for the year ended 31 March 2020**

#### **Trustee's Report**

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##### **Pensions tracing**

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service  
The Pension Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU  
Telephone: 0800 731 0193

##### **Pensions Ombudsman**

Any concerns connected with the Plan should be referred to M Ingrej-Counter, at the address detailed on page 2, who will try to resolve the problem as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the administrators or the Trustee can consult with the Pensions Ombudsman for them to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

The Office of the Pensions Ombudsman  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU  
Telephone: 0800 917 4487  
Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

##### **The Pension Protection Fund**

The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation. The pension protection levy is one of the ways that the PPF funds the compensation payable to members of schemes that transfer to the PPF.

##### **Further Information**

Further information about the Plan is available on the Standard Life member portal to which all members have access.

Approved on behalf of Avon Rubber Pension Trust Limited on 22nd September 2020.....

Signed on behalf of Avon Rubber Pension Trust Limited

..... Trustee Director

..... Trustee Director

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Annual Statement regarding Governance of the Defined Contribution Section

---

##### Introduction

As the Trustee Chairman, I am pleased to provide you with our annual statement which explains what steps have been taken by the Trustee Directors, with the help of our professional advisers, to meet the governance standards that apply to the defined contribution section of the Plan.

The Trustee Directors are committed to meeting the governance standards and we have a Defined Contribution Sub-Committee of three Trustee Directors who meet regularly to monitor the controls and processes put in place in connection with the Scheme's investments and administration.

I welcome this opportunity to explain what the Trustee Directors are doing to ensure the Plan is run as effectively as it can be and in accordance with the relevant governance standards. This statement covers the period 1 April 2019 to 31 March 2020.

##### 1. Default investment arrangement

The default investment arrangement is provided for members who do not select an investment option and is the fund used for the auto-enrolment of new employees. Members can also choose to invest in the default investment arrangement. This year 84% of members had their contributions invested or partially invested in the default investment arrangement. The remainder had their contributions invested or partially invested in other investment funds offered by the Plan. Some of our members are invested in more than one investment fund offered by the Plan.

##### Setting an appropriate investment strategy

The Trustee Directors are responsible for setting and monitoring the investment strategy for the Plan's default arrangement.

On 4 October 2017 we changed the default scheme from the Standard Life Passive Plus III Universal Strategic Lifestyle Profile Fund (the 'Passive Plus') to the Standard Life Active Plus III Pension Fund (the 'Active Plus'), for members who do not make an active investment choice.

The Active Plus Fund was chosen as the default fund following a detailed analysis of the Plan's membership and on the basis of investment advice from Aon. The Trustee believes that the Active Plus Fund is an appropriate default fund for the following reasons:

1. It is low cost in that it has a 0.42% annual total expense ratio (TER) charge which is below the charge cap of 0.75% p.a. for schemes that are used for auto-enrolling their employees.
2. It offers the appropriate level of risk for our members, with the potential for long-term growth.
3. It also provides "lifestyling" which means that as our members approach retirement, investment risk is gradually reduced by moving their fund into less volatile investments.
4. It has an easy to understand investment style which offers a balanced approach to investment risk.

Details of the wider investment strategy are recorded in the Statement of Investment Principles for the Plan which is included as an appendix to the Plan's Annual Report.

##### Reviewing the default investment arrangement

The Trustee Directors are expected to:

1. review the investment strategy and objectives of the default investment arrangement at regular intervals, and at least once every 3 years; and
2. take into account the needs of the Plan membership when designing the default arrangement.

In accordance with our obligations, and as detailed above, the DC Sub-Committee, in conjunction with advice from Aon, reviewed and changed the default fund on 4 October 2017, in accordance with the above obligation and to ensure that the default fund remains appropriate. The Trustee Directors will keep the investment strategy and objectives of the default fund under review and are currently in the middle of the 2020 review process.

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Annual Statement regarding Governance of the Defined Contribution Section

#### 2. Charges and transaction costs paid by members

Transaction costs are those costs incurred by the fund within the day to day management of the assets. They cover such things as the cost of buying and selling securities within the fund. These costs are incurred on an on-going basis, are an inevitable consequence of managing the fund and are in addition to the TER (Total Expense Ratio.) The total expense ratio is a measure of the total cost to the member associated with managing and operating a fund. These operating expenses may include management fees, legal fees, auditor fees and other administrative costs.

The Financial Conduct Authority transaction cost disclosure requirements (which require investment providers to provide information on charges and transaction costs using a standard approach) came into effect from 3 January 2018. These rules are designed to enhance the ability of governance bodies to obtain information to review value for money. Standard Life has provided transaction cost information for the period covered by this statement where it is available, and this information is included in the table below.

| The standard reporting format calculates these costs as the difference between the price at which the transaction was actually executed and the price when the order to make that transaction entered the market. | Total Expense Ratio (% p.a.) | Transaction Costs (%) |
|---|------------------------------|-----------------------|
| <b>Strategic Lifestyle Active Plus III Universal (default investment strategy)</b>  |                              |                       |
| Standard Life Active Plus III   | 0.42                         | 0.1750                |
| Standard Life Pre Retirement (Active Plus Universal)  | 0.42                         | 0.1759                |
| Standard Life At Retirement (Active Plus Universal)   | 0.39                         | 0.1292                |
| <b>Strategic Lifestyle Active Plus IV</b>   |                              |                       |
| Standard Life Active Plus IV  | 0.47                         | 0.1390                |
| Standard Life Pre Retirement (Active Plus Universal)  | 0.42                         | 0.1759                |
| Standard Life At Retirement (Active Plus Universal)   | 0.39                         | 0.1292                |
| <b>Strategic Lifestyle Active Plus V</b>  |                              |                       |
| Standard Life Active Plus V   | 0.47                         | 0.1268                |
| Standard Life Pre Retirement (Active Plus Universal)  | 0.42                         | 0.1759                |
| Standard Life At Retirement (Active Plus Universal)   | 0.39                         | 0.1292                |
| <b>Strategic Lifestyle Passive Plus III</b>   |                              |                       |
| Standard Life Passive Plus III  | 0.31                         | 0.0581                |
| Standard Life Pre Retirement (Passive Plus Universal)   | 0.33                         | 0.0393                |
| Standard Life At Retirement (Passive Plus Universal)  | 0.32                         | 0.0198                |
| <b>Strategic Lifestyle Passive Plus IV</b>  |                              |                       |
| Standard Life Passive Plus IV   | 0.32                         | 0.0554                |
| Standard Life Pre-Retirement (Passive Plus Universal)   | 0.33                         | 0.0393                |
| Standard Life At Retirement (Passive Plus Universal)  | 0.32                         | 0.0198                |
| <b>MyFolio Managed V Universal SLP</b>  |                              |                       |
| Standard Life MyFolio Managed V Pension Fund  | 0.73                         | 0.18                  |
| Standard Life Pre Retirement (MyFolio Managed Universal)  | 0.60                         | 0.1955                |
| Standard Life At Retirement (MyFolio Managed Universal)   | 0.52                         | 0.1541                |
| <b>Individual funds</b>   |                              |                       |
| Standard Life MyFolio Managed IV Pension Fund   | 0.70                         | 0.1742                |
| SL iShares UK Gilts All Stocks Index Pension Fd   | 0.31                         | 0.0076                |
| Standard Life Passive Plus V Pension Fund   | 0.33                         | 0.0126                |
| Standard Life North American Equity Pension Fund  | 0.30                         | 0.1154                |
| Standard Life Asia Pacific ex Japan Equity Pension  | 0.44                         | 0.0948                |
| SL Vanguard US Equity Pension Fund  | 0.31                         | 0.0003                |
| Standard Life Money Market Pension Fund   | 0.30                         | -0.0022               |
| Standard Life UK Gilt Pension Fund  | 0.30                         | 0.1017                |
| SL SLI Global Emerging Markets Equity Pension Fund  | 1.09                         | 0.1314                |
| SL BlackRock Aquila Connect World (Ex-UK) Eq Pn Fd  | 0.33                         | 0.0045                |
| SL Janus Henderson European Selected Opps Pn  | 1.25                         | 0.1587                |
| SL SLI Global Smaller Companies Pension Fund  | 1.11                         | 0.2108                |
| SL Fidelity Asia Pension Fund   | 1.49                         | 0.0791                |
| SL SLI UK Smaller Companies Pension Fund  | 0.79                         | 0.0068                |
| SL Schroder UK Mid 250 Pension Fund   | 1.26                         | 0.0381                |
| SL Invesco Perpetual High Income Pension Fund   | 1.18                         | 0.11                  |
| SL SLI UK Equity Unconstrained Pension Fund   | 1.01                         | 0.5844                |
| SL Old Mutual UK Mid Cap Pension Fund   | 1.15                         | 0.16                  |

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Annual Statement regarding Governance of the Defined Contribution Section

---

##### Good value for members

When assessing the charges and transaction costs that are payable by members, the Trustee Directors are required to consider the extent to which the investments options and the benefits offered represent good value for members when compared to other options available in the market.

The Trustee's framework for assessing value for members is to review whether charges are reasonable by reference to investment returns, overall fund performance (on a quarterly basis) and the benefits members receive, for example, communications, support at retirement and access to relevant information. We considered, in particular, that higher charges in specialist funds are usual and in the case of the funds we offer, justified. We have secured a rebate from Standard Life for the Plan, for both active and passive funds, of 0.71% per annum, which significantly reduces the costs borne by the members.

Based on our high level, cost based assessment and an assessment of the benefits members get, the Trustee Directors have concluded that the Plan represents good value for members.

##### 2.1 Illustration of charges and disclosure costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings.

The "before charges" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after charges" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

- The transaction cost figures used in the illustration are those provided by the managers over the past year, subject to a floor of zero (i.e. the illustration does not assume a negative cost over the long term).

- The illustration is shown for the auto-select option for DC members (the Strategic Lifestyle Active Plus III Universal Fund) since this is the arrangement with the most members invested in it, as well as three funds from the Plan's self-select fund range. The three self-select funds shown in the illustration are:

- SL SLI UK Smaller Companies Pension Fund [mid-range TER self-select fund]
- Standard Life Passive Plus IV Pension Fund [Passive fund]
- SL Vanguard US Equity Pension Fund [lowest TER self-select fund]

Please note that these projections make no allowances for the investment risks, and hence do not provide an indication of the range of outcomes associated with, a particular investment.

##### Notes

Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

- Starting age is: 27
- Inflation: 2.0% each year
- The starting fund size: £10,000
- The starting salary: £40,000
- Contributions: 7.5% per year
- Contributions increase by: 3.5% each year
- Age at which benefits are taken: 67
- Values shown are estimates and are not guaranteed.
- Negative transaction costs are assumed to be zero.
- Where Standard Life have not received transaction cost data a value of 0 is used.

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Annual Statement regarding Governance of the Defined Contribution Section

---

##### STANDARD LIFE ACTIVE PLUS III PENSION FUND (DDNA): ACTIVE PLUS III UNIVERSAL SLP

| Year | Before Charges | After Charges |
|------|----------------|---------------|
| 1    | £16,200        | £16,100       |
| 3    | £29,100        | £28,900       |
| 5    | £42,800        | £42,300       |
| 10   | £80,700        | £78,800       |
| 15   | £124,000       | £119,000      |
| 20   | £173,000       | £165,000      |
| 25   | £229,000       | £217,000      |
| 30   | £293,000       | £275,000      |
| 35   | £365,000       | £339,000      |
| NRD  | £446,000       | £410,000      |

##### Transaction Costs:

|   |         |
|---|---------|
| Standard Life At Ret (Active Plus Universal) Pn (BDAD): Active Plus III Universal SLP:  | 0.1292% |
| Standard Life Pre Ret (Active Plus Universal) Pn (BDAE): Active Plus III Universal SLP: | 0.1759% |
| Standard Life Active Plus III Pension Fund (DDNA): Active Plus III Universal SLP:       | 0.1750% |

##### Growth Rate:

|  |      |
|--|------|
| Standard Life At Ret (Active Plus Universal) Pn (BDAD) : Active Plus III Universal SLP:  | 2.5% |
| Standard Life Pre Ret (Active Plus Universal) Pn (BDAE) : Active Plus III Universal SLP: | 2.0% |
| Standard Life Active Plus III Pension Fund (DDNA) : Active Plus III Universal SLP:       | 4.0% |

##### SL ASI UK SMALLER COMPANIES PENSION FUND (KR)

| Year | Before Charges | After Charges |
|------|----------------|---------------|
| 1    | £16,400        | £16,300       |
| 3    | £30,000        | £29,500       |
| 5    | £44,800        | £43,800       |
| 10   | £87,700        | £83,900       |
| 15   | £140,000       | £131,000      |
| 20   | £203,000       | £186,000      |
| 25   | £279,000       | £251,000      |
| 30   | £371,000       | £327,000      |
| 35   | £480,000       | £414,000      |
| NRD  | £611,000       | £516,000      |

##### Transaction Costs:

|  |         |
|--|---------|
| SL ASI UK Smaller Companies Pension Fund (KR): | 0.0088% |
|--|---------|

##### Growth Rate:

|  |      |
|--|------|
| SL ASI UK Smaller Companies Pension Fund (KR): | 5.0% |
|--|------|



## Avon Rubber Retirement and Death Benefits Plan

Annual Report for the year ended 31 March 2020

### Annual Statement regarding Governance of the Defined Contribution Section

---

#### STANDARD LIFE PASSIVE PLUS IV PENSION FUND (JJJA)

| Year | Before Charges | After Charges |
|------|----------------|---------------|
| 1    | £16,400        | £16,300       |
| 3    | £30,000        | £29,800       |
| 5    | £44,800        | £44,300       |
| 10   | £87,700        | £85,900       |
| 15   | £140,000       | £135,000      |
| 20   | £203,000       | £195,000      |
| 25   | £279,000       | £265,000      |
| 30   | £371,000       | £349,000      |
| 35   | £480,000       | £447,000      |
| NRD  | £611,000       | £563,000      |

**Transaction Costs:**

Standard Life Passive Plus IV Pension Fund (JJJA): 0.554%

**Growth Rate:**

Standard Life Passive Plus IV Pension Fund (JJJA): 5.0%

#### SL VANGUARD US EQUITY PENSION FUND (GGMJ)

| Year | Before Charges | After Charges |
|------|----------------|---------------|
| 1    | £16,400        | £16,300       |
| 3    | £30,000        | £29,800       |
| 5    | £44,800        | £44,400       |
| 10   | £87,700        | £86,200       |
| 15   | £140,000       | £136,000      |
| 20   | £203,000       | £196,000      |
| 25   | £279,000       | £268,000      |
| 30   | £371,000       | £353,000      |
| 35   | £480,000       | £453,000      |
| NRD  | £611,000       | £572,000      |

**Transaction Costs:**

SL Vanguard US Equity Pension Fund (GGMJ): 0.0003%

**Growth Rate:**

SL Vanguard US Equity Pension Fund (GGMJ): 5.0%

## **Avon Rubber Retirement and Death Benefits Plan**

### **Annual Report for the year ended 31 March 2020**

#### **Annual Statement regarding Governance of the Defined Contribution Section**

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#### **3. Core financial transactions**

The Trustee Directors are required to report to members the processes and controls in place in relation to core financial transactions, which include:

1. deducting contributions from pay;
2. investing contributions paid into the Plan;
3. transferring assets related to members into or out of the Plan;
4. transferring assets between different investments within the Plan; and
5. making payments from the Plan to, or on behalf of, members.

The Trustee Directors have overall responsibility for ensuring transactions are processed promptly and accurately. In practice, the Plan administrator, Standard Life, implements all transactions in accordance with service standards agreed with the Trustee. Standard Life provide regular reports summarising the service provided to members and the amount of time taken to process various tasks. Any mistakes or delays are investigated thoroughly and corrected as quickly as possible. The Trustee Directors monitor and review the administrator's processes and are comfortable that all core financial transactions have been processed promptly and accurately under their remit as administrator.

I am pleased to report that in the last Plan year there have been no material administration service issues which need to be reported here. I am confident that the processes and controls we have put in place with Standard Life are robust and will ensure that all financial transactions are dealt with in a timely and professional manner.

#### **4. Trustee Knowledge and Understanding**

The law requires that trustees have knowledge and understanding of (among other things) the law relating to pensions and trusts, as well as the principles relating to the funding of pension schemes and the investment of scheme assets. We take our training and development responsibilities seriously and all Trustee Directors regularly undertake training to meet this requirement, including specific training relating to DC schemes and investments. All of our Trustee Directors use the "Trustee Toolkit" which is an online learning programme provided by the Pensions Regulator, aimed at trustees of occupational pensions schemes. This provides a series of online learning modules which ensure that our trustees meet the minimum level of knowledge and understanding required. Training and attendance at appropriate seminars are recorded in a Trustee training log. The Trustee training log is maintained and reviewed at every Trustee meeting to ensure that the training, knowledge and understanding requirements are being met and so that any gaps in the knowledge of our Trustee Directors can be identified. This allows us to organise training on those areas identified. Also, all newly appointed Trustee Directors are expected to complete a minimum standard of training within six months of joining the Trustee Board.

There are currently six Trustee Directors; four Company nominated and two member nominated. The Trustee Directors meet four times a year at quarterly board meetings and at various other times throughout the year as the need arises and at sub-committee level. Taking into account the professional advice available to the Trustee and as a result of the training activities which have been completed by the Trustee Directors, we are confident that the combined knowledge and understanding of the Trustee Directors enables them to exercise their functions as trustees of the Plan.

Miles Ingrey-Counter

Chairman

## **Avon Rubber Retirement and Death Benefits Plan**

### **Annual Report for the year ended 31 March 2020**

#### **Statement of Trustee's Responsibilities**

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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 scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan 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 Plan will not be wound up.

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

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan 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 Plan by or on behalf of the employer and the active members of the Plan 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 Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan 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.

## **Avon Rubber Retirement and Death Benefits Plan**

### **Annual Report for the year ended 31 March 2020**

#### **Independent Auditor's Report to the Trustee**

---

### **Independent Auditor's Report to the Trustee of the Avon Rubber Retirement and Death Benefits Plan**

#### **Opinion**

We have audited the financial statements of the Avon Rubber Retirement and Death Benefits Plan ("the Plan") for the year ended 31 March 2020 which comprise the Fund Account, Statement of Net Assets (available for benefits) and related notes including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year ended 31 March 2020 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 Plan year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland
- contain the information specified in 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Plan in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Going concern**

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Plan, and as it has concluded that the Plan's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Plan and analysed how those risks might affect the Plan's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Plan will continue in operation.

#### **Other information**

The Trustee is responsible for the other information, which comprises the Trustee's Report (including the report on actuarial liabilities and the Summary of Contributions), the Annual Statement regarding Governance, the Statement of Investment Principles and the actuarial certification of the Schedule of Contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

#### **Trustee's Responsibilities**

As explained more fully in its Statement set out on page 17, the Plan Trustee is responsible for: supervising the preparation of the financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Plan'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 it either intends to wind up the Plan, or has no realistic alternative but to do so.

**Avon Rubber Retirement and Death Benefits Plan**

**Annual Report for the year ended 31 March 2020**

**Independent Auditor's Report to the Trustee**

---

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Plan's Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it 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 Plan's Trustee for our audit work, for this report, or for the opinions we have formed.

For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
66 Queen Square  
Bristol  
BS1 4BE

Date: ..... 23 September 2020 .....

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Financial Statements

#### Fund Account

|  | Note | Defined Benefit Section<br>£000 | Defined Contribution Section<br>£000 | 2020 Total<br>£000    | Defined Benefit Section<br>£000 | Defined Contribution Section<br>£000 | 2019 Total<br>£000    |
|--|------|---------------------------------|--------------------------------------|-----------------------|---------------------------------|--------------------------------------|-----------------------|
| Employer contributions   |      | 1,500                           | 1,205                                | 2,705                 | 1,784                           | 1,091                                | 2,875                 |
| Employee contributions   |      | -                               | 4                                    | 4                     | -                               | 4                                    | 4                     |
| <b>Total contributions</b>                                     | 4    | <u>1,500</u>                    | <u>1,209</u>                         | <u>2,709</u>          | <u>1,784</u>                    | <u>1,095</u>                         | <u>2,879</u>          |
| Benefits paid or payable                                       | 5    | (15,312)                        | (1)                                  | (15,313)              | (15,307)                        | (84)                                 | (15,391)              |
| Payments to and on account of leavers                          | 6    | (1,599)                         | (950)                                | (2,549)               | (1,781)                         | (41)                                 | (1,822)               |
| Administrative expenses  | 7    | (570)                           | -                                    | (570)                 | (646)                           | -                                    | (646)                 |
| Other payments   | 8    | (23)                            | -                                    | (23)                  | (9)                             | -                                    | (9)                   |
|  |      | <u>(17,504)</u>                 | <u>(951)</u>                         | <u>(18,455)</u>       | <u>(17,743)</u>                 | <u>(125)</u>                         | <u>(17,868)</u>       |
| <b>Net (withdrawals)/ additions from dealings with members</b> |      | <u>(16,004)</u>                 | <u>258</u>                           | <u>(15,746)</u>       | <u>(15,959)</u>                 | <u>970</u>                           | <u>(14,989)</u>       |
| <b>Returns on investments</b>                                  |      |                                 |                                      |                       |                                 |                                      |                       |
| Investment income  | 9    | 28,027                          | -                                    | 28,027                | 2,371                           | -                                    | 2,371                 |
| Change in market value of investments                          | 10   | (29,695)                        | (1,015)                              | (30,710)              | 19,085                          | 439                                  | 19,524                |
| Investment management expenses                                 | 11   | (485)                           | -                                    | (485)                 | (475)                           | -                                    | (475)                 |
| <b>Net returns on investments</b>                              |      | <u>(2,153)</u>                  | <u>(1,015)</u>                       | <u>(3,168)</u>        | <u>20,981</u>                   | <u>439</u>                           | <u>21,420</u>         |
| <b>Net (decrease)/ increase in the fund during the year</b>    |      | <u>(18,157)</u>                 | <u>(757)</u>                         | <u>(18,914)</u>       | <u>5,022</u>                    | <u>1,409</u>                         | <u>6,431</u>          |
| <b>Net assets at 1 April</b>                                   |      | <u>324,725</u>                  | <u>11,039</u>                        | <u>335,764</u>        | <u>319,703</u>                  | <u>9,630</u>                         | <u>329,333</u>        |
| <b>Net assets at 31 March</b>                                  |      | <u><u>306,568</u></u>           | <u><u>10,282</u></u>                 | <u><u>316,850</u></u> | <u><u>324,725</u></u>           | <u><u>11,039</u></u>                 | <u><u>335,764</u></u> |

The notes on pages 22 to 32 form part of these financial statements.

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Financial Statements

#### Statement of Net Assets available for benefits

|                               | Note | Defined Benefit Section<br>£000 | Defined Contribution Section<br>£000 | 2020 Total<br>£000 | Defined Benefit Section<br>£000 | Defined Contribution Section<br>£000 | 2019 Total<br>£000 |
|-------------------------------|------|---------------------------------|--------------------------------------|--------------------|---------------------------------|--------------------------------------|--------------------|
| <b>Investment assets</b>      |      |                                 |                                      |                    |                                 |                                      |                    |
| Pooled investment vehicles    | 13   | 304,859                         | 10,169                               | 315,028            | 323,511                         | 10,947                               | 334,458            |
| AVC investments               | 14   | 900                             | -                                    | 900                | 825                             | -                                    | 825                |
| Cash                          |      | 165                             | -                                    | 165                | -                               | -                                    | -                  |
| Other investment balances     | 15   | 527                             | -                                    | 527                | 418                             | -                                    | 418                |
| <b>Total investments</b>      | 10   | <b>306,451</b>                  | <b>10,169</b>                        | <b>316,620</b>     | <b>324,754</b>                  | <b>10,947</b>                        | <b>335,701</b>     |
| <b>Current assets</b>         | 20   | <b>703</b>                      | <b>113</b>                           | <b>816</b>         | <b>517</b>                      | <b>92</b>                            | <b>609</b>         |
| <b>Current liabilities</b>    | 21   | <b>(586)</b>                    | <b>-</b>                             | <b>(586)</b>       | <b>(546)</b>                    | <b>-</b>                             | <b>(546)</b>       |
| <b>Net assets at 31 March</b> |      | <b>306,568</b>                  | <b>10,282</b>                        | <b>316,850</b>     | <b>324,725</b>                  | <b>11,039</b>                        | <b>335,764</b>     |

The financial statements summarise the transactions of the Plan 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 Plan year. The actuarial position of the Plan, which takes into account such obligations for the Defined Benefit Section, is dealt with in the report on actuarial liabilities on page 5 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 22 to 32 form part of these financial statements.

The financial statements on pages 20 to 32 were approved on behalf of Avon Rubber Pension Trust Limited on 22nd September 2020.....

Signed on behalf of Avon Rubber Pension Trust Limited

..... Trustee Director

..... Trustee Director

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Notes to the Financial Statements

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#### 1. Identification of the financial statements

The Avon Rubber Retirement and Death Benefit Plan (the Plan) is an occupational pension scheme established in the United Kingdom under trust and according to the law in England.

The Plan was established on 1 April 1947 to provide retirement benefits to certain groups of employees of Avon Rubber plc. The address of the Plan's principal office is Corporate Headquarters, Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB.

The Plan is a hybrid scheme, comprising a Defined Benefit Section and a Defined Contribution Section.

Please refer to page 2 of the Annual Report for contact details and enquiries about the Plan.

#### 2. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) - The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (the SORP) (Revised 2018).

In June 2018, a revised SORP was issued which is applicable to accounting periods on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements, although it has required certain additions to or amendments of disclosures in the financial statements.

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Plan has adequate resources to realise its assets and meet pensioner payments in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustee has considered the funding position of the Plan and the impact of COVID-19 outbreak on the sponsoring employer, Avon Rubber plc. The employer has seen an increase in revenues and their order book as published in their half yearly results to 31 March 2020 issued in May 2020 and has announced the sale of the milkrite/InterPuls business for consideration of c.£160m for completion in Q1 2021. Avon Rubber plc has also announced the acquisition of Team Wendy, LLC which as part of this they have secured a new RCF for \$200m which they have confirmed will be repaid following completion of the Dairy Disposal. Following completion of the Acquisition and the Dairy Disposal it is intended that the New RCF will be used to support Avon Rubber's medium-term growth objectives. Based on its assessment the Trustee is confident that the Plan will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore, have prepared the financial statements on an on-going basis.

#### 3. Accounting policies

The principal accounting policies are set out below. Unless otherwise stated, they have been applied consistently year on year.

##### 3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

##### 3.2 Currency

The Plan's functional currency and presentational currency is Pounds Sterling (GBP).

##### 3.3 Contributions

Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the Employer.

Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions in force during the year.

Employer deficit funding contributions are accounted for in the period to which they relate, in accordance with the Schedule of Contributions, or on receipt if earlier, with the agreement of the employer and Trustee.

Augmentation and other contributions are accounted for as agreed between the Employer and Trustee.



### **3.4 Transfers**

Individual transfers in or out of the Plan are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

### **3.5 Payments to members**

Benefits, and any associated tax liabilities, are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for on the later of the date of leaving, retirement or death and the date on which any option or notification is communicated to the Trustee. If there is no choice, they are accounted for on the date of retirement or leaving.

The Plan has purchased annuity policies to cover certain pensions in payment. The cost of acquiring these policies is included in the fund account in the year of purchase and represents the cost of discharging the obligations of the Plan to the relevant members at the time of purchase.

### **3.6 Administrative and other expenses**

Administrative expenses are accounted for in the period in which they fall due on an accruals basis.

Investment management expenses are accounted for in the period in which they fall due on an accruals basis.

Other payments are accounted for in the period in which they fall due on an accruals basis.

### **3.7 Investment income**

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

Receipts from annuity policies are accounted for as investment income on an accruals basis.

### **3.8 Change in market value of investments**

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

### **3.9 Valuation of investments**

Investments are included at fair value as follows:

Pooled investment vehicles which are not traded on active markets, but where the investment manager has provided a daily/weekly trading price, are valued using the last bid/single price, provided by the investment manager at or before the year end.

The Trustee holds insurance policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Trustee, but, as the value of these policies is not material, under current regulations and accounting practice, the Trustee has decided that these policies need not be included in the Statement of Net Assets.

The AVC investments comprise policies of assurance. The market value of these policies has been taken as the surrender values of the policies at the year end, as advised by the AVC providers. The AVC investments comprise unitised funds and policies of assurance.

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Notes to the Financial Statements

#### 4. Contributions

|                                | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2020<br>Total<br>£000 | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2019<br>Total<br>£000 |
|--------------------------------|---------------------------------------|--|-----------------------|---------------------------------------|--|-----------------------|
| <b>Employer contributions:</b> |                                       |  |                       |                                       |  |                       |
| Normal                         | -                                     | 1,205                                      | 1,205                 | -                                     | 1,091                                      | 1,091                 |
| Additional                     | -                                     | -  | -                     | 7                                     | -  | 7                     |
| Other                          | 600                                   | -  | 600                   | 600                                   | -  | 600                   |
| Deficit funding                | 900                                   | -  | 900                   | 900                                   | -  | 900                   |
| Augmentations                  | -                                     | -  | -                     | 277                                   | -  | 277                   |
|                                | <u>1,500</u>                          | <u>1,205</u>                               | <u>2,705</u>          | <u>1,784</u>                          | <u>1,091</u>                               | <u>2,875</u>          |
| <b>Employee contributions:</b> |                                       |  |                       |                                       |  |                       |
| Normal                         | -                                     | 4  | 4                     | -                                     | 4  | 4                     |
|                                | <u>1,500</u>                          | <u>1,209</u>                               | <u>2,709</u>          | <u>1,784</u>                          | <u>1,095</u>                               | <u>2,879</u>          |

In accordance with the Schedule of Contributions certified on 30 January 2017 deficit funding contributions of £900,000 are due per annum for the period from 1 April 2017 to 1 October 2026 payable in two equal instalments on 1 April and 1 October each year.

The Schedule of Contributions also stipulates that other contributions, as shown above, are due to the Plan to cover administration expenses. In accordance with the Schedule of Contributions the Employer will pay £600,000 per annum for expenses from 1 April 2017 to 1 October 2026 payable in two equal instalments on 1 April and 1 October each year.

The Schedule of Contributions includes an allowance for the PPF levy which is expected to be in the region of £200,000 per annum. The Employer will pay an additional amount up to a further £100,000 if the PPF levy exceeds this, as the PPF Levy for 2019/20 was £155,802, no contribution was required from the Employer.

#### 5. Benefits paid or payable

|  | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2020<br>Total<br>£000 | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2019<br>Total<br>£000 |
|--|---------------------------------------|--|-----------------------|---------------------------------------|--|-----------------------|
| Pensions   | 13,430                                | -  | 13,430                | 13,079                                | -  | 13,079                |
| Commutation of pensions and lump sum retirement benefits | 1,762                                 | 1  | 1,763                 | 2,043                                 | 40   | 2,083                 |
| Lump sum death benefits                                  | 120                                   | -  | 120                   | 185                                   | 44   | 229                   |
|  | <u>15,312</u>                         | <u>1</u>                                   | <u>15,313</u>         | <u>15,307</u>                         | <u>84</u>                                  | <u>15,391</u>         |

#### 6. Payments to and on account of leavers

|   | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2020<br>Total<br>£000 | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2019<br>Total<br>£000 |
|---|---------------------------------------|--|-----------------------|---------------------------------------|--|-----------------------|
| Individual transfers out to other schemes | 1,599                                 | 950  | 2,549                 | 1,781                                 | 41   | 1,822                 |

**Avon Rubber Retirement and Death Benefits Plan**

**Annual Report for the year ended 31 March 2020**

**Notes to the Financial Statements**

**7. Administrative expenses**

|  | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2020<br>Total<br>£000 | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2019<br>Total<br>£000 |
|--|---------------------------------------|--|-----------------------|---------------------------------------|--|-----------------------|
| Administration, actuarial & consultancy fees | 363                                   | -  | 363                   | 392                                   | -  | 392                   |
| Plan levies                                  | 170                                   | -  | 170                   | 207                                   | -  | 207                   |
| Audit fees                                   | 17                                    | -  | 17                    | 16                                    | -  | 16                    |
| Legal fees                                   | 13                                    | -  | 13                    | 26                                    | -  | 26                    |
| Trustee fees                                 | 7                                     | -  | 7                     | 5                                     | -  | 5                     |
|  | <u>570</u>                            | <u>-</u>                                   | <u>570</u>            | <u>646</u>                            | <u>-</u>                                   | <u>646</u>            |

**8. Other payments**

|                              | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2020<br>Total<br>£000 | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2019<br>Total<br>£000 |
|------------------------------|---------------------------------------|--|-----------------------|---------------------------------------|--|-----------------------|
| Life assurance premiums paid | 23                                    | -  | 23                    | 9                                     | -  | 9                     |
|                              | <u>23</u>                             | <u>-</u>                                   | <u>23</u>             | <u>9</u>                              | <u>-</u>                                   | <u>9</u>              |

**9. Investment income**

|  | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2020<br>Total<br>£000 | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2019<br>Total<br>£000 |
|--|---------------------------------------|--|-----------------------|---------------------------------------|--|-----------------------|
| Income from pooled investment vehicles | 27,948                                | -  | 27,948                | 2,310                                 | -  | 2,310                 |
| Interest on cash deposits              | 3                                     | -  | 3                     | -                                     | -  | -                     |
| Annuity income                         | 76                                    | -  | 76                    | 61                                    | -  | 61                    |
|  | <u>28,027</u>                         | <u>-</u>                                   | <u>28,027</u>         | <u>2,371</u>                          | <u>-</u>                                   | <u>2,371</u>          |

The increase of the investment income is largely due to the dividend payments of £24,419k (2019: £22k) received from the pooled investment vehicles managed by BlackRock Investment Management (UK) Limited.

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Notes to the Financial Statements

## 10. Reconciliation of investments

### Defined Benefit Section

|                            | Market value at<br>1 April<br>2019<br>£000 | Cost of<br>investments<br>purchased<br>£000 | Proceeds of<br>sales of<br>investments<br>£000 | Change in<br>market value<br>£000 | Market value at<br>31 March<br>2020<br>£000 |
|----------------------------|--|---|--|-----------------------------------|---|
| Pooled investment vehicles | 323,511                                    | 197,439                                     | (186,261)                                      | (29,830)                          | 304,859                                     |
| AVC investments            | 825  | -   | (60)   | 135                               | 900   |
|                            | <u>324,336</u>                             | <u>197,439</u>                              | <u>(186,321)</u>                               | <u>(29,695)</u>                   | <u>305,759</u>                              |
| Cash                       | -  |   |  | -                                 | 165   |
| Other investment balances  | 418  |   |  | -                                 | 527   |
|                            | <u>324,754</u>                             |   |  | <u>(29,695)</u>                   | <u>306,451</u>                              |

### Defined Contribution Section

|                            | Market value at<br>1 April<br>2019<br>£000 | Cost of<br>investments<br>purchased<br>£000 | Proceeds of<br>sales of<br>investments<br>£000 | Change in<br>market value<br>£000 | Market value at<br>31 March<br>2020<br>£000 |
|----------------------------|--|---|--|-----------------------------------|---|
| Pooled investment vehicles | 10,947                                     | 1,187                                       | (950)  | (1,015)                           | 10,169                                      |

### 10.1 Transaction costs

Indirect transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. The amount of indirect transaction costs is not separately provided to the Plan.

### 10.2 Defined contribution assets

Investments purchased by the Plan are allocated to provide benefits to the individuals on whose behalf corresponding contributions were paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Plan administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Plan that relate to members leaving the Plan prior to vesting. All investments are allocated to members (2019: all allocated to members).

## 11. Investment management expenses

|  | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2020<br>Total<br>£000 | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2019<br>Total<br>£000 |
|--|---------------------------------------|--|-----------------------|---------------------------------------|--|-----------------------|
| Administration, management<br>and custody fees | <u>485</u>                            | <u>-</u>                                   | <u>485</u>            | <u>475</u>                            | <u>-</u>                                   | <u>475</u>            |

## 12. Taxation

The Plan is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

### 13. Pooled investment vehicles

|                       | Defined Benefit Section<br>£000 | Defined Contribution Section<br>£000 | 2020 Total<br>£000 | Defined Benefit Section<br>£000 | Defined Contribution Section<br>£000 | 2019 Total<br>£000 |
|-----------------------|---------------------------------|--------------------------------------|--------------------|---------------------------------|--------------------------------------|--------------------|
| Bonds                 | 132,295                         | -                                    | 132,295            | 112,801                         | -                                    | 112,801            |
| Equities              | 62,296                          | -                                    | 62,296             | 106,139                         | -                                    | 106,139            |
| Secure income fund    | 44,546                          | -                                    | 44,546             | -                               | -                                    | -                  |
| Diversified growth    | 36,707                          | -                                    | 36,707             | 38,893                          | -                                    | 38,893             |
| Multi-asset           | 29,015                          | -                                    | 29,015             | -                               | -                                    | -                  |
| Lifestyle funds       | -                               | 9,628                                | 9,628              | -                               | 10,710                               | 10,710             |
| Other                 | -                               | 541                                  | 541                | -                               | 237                                  | 237                |
| High income funds     | -                               | -                                    | -                  | 28,455                          | -                                    | 28,455             |
| Absolute Return Funds | -                               | -                                    | -                  | 37,223                          | -                                    | 37,223             |
|                       | <b>304,859</b>                  | <b>10,169</b>                        | <b>315,028</b>     | <b>323,511</b>                  | <b>10,947</b>                        | <b>334,458</b>     |

The pooled investments are held in the name of the Plan. Income generated by Ares Management LLC, BlackRock Investment Management (UK) Limited, CQS Management Limited, Majedi Asset Management Limited and Ruffer LLP is distributed, as shown in note 9. Income generated by the defined contribution units is not distributed, but retained within the pooled investments and reflected in the market value of the units.

### 14. AVC investments

The Trustee holds assets within the main fund and also holds assets which are separately invested from the main fund in the form of unitised funds and policies of assurance. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 31 March each year, confirming the amounts held to their account and the movements during the year.

The total amount of AVC investments at the year end is shown below:

|                                  | Defined Benefit Section<br>£000 | Defined Contribution Section<br>£000 | 2020 Total<br>£000 | Defined Benefit Section<br>£000 | Defined Contribution Section<br>£000 | 2019 Total<br>£000 |
|----------------------------------|---------------------------------|--------------------------------------|--------------------|---------------------------------|--------------------------------------|--------------------|
| Standard Life Assurance Company  | 425                             | -                                    | 425                | 335                             | -                                    | 335                |
| Utmost Life and Pensions Limited | 475                             | -                                    | 475                | 490                             | -                                    | 490                |
|                                  | <b>900</b>                      | <b>-</b>                             | <b>900</b>         | <b>825</b>                      | <b>-</b>                             | <b>825</b>         |

### 15. Other investment balances

#### Defined Benefit Section

|                              | Assets<br>£000 | Liabilities<br>£000 | 2020<br>£000 | Assets<br>£000 | Liabilities<br>£000 | 2019<br>£000 |
|------------------------------|----------------|---------------------|--------------|----------------|---------------------|--------------|
| Investment income receivable | 527            | -                   | 527          | 418            | -                   | 418          |

## Avon Rubber Retirement and Death Benefits Plan

### Annual Report for the year ended 31 March 2020

#### Notes to the Financial Statements

#### 16. Fair value determination

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

|         |  |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.   |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. |
| Level 3 | Unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.  |

The Plan's investment assets have been included at fair value using the above hierarchy levels as follows:

|                                     | 2020<br>Level 1<br>£000 | 2020<br>Level 2<br>£000 | 2020<br>Level 3<br>£000 | 2020<br>Total<br>£000 |
|-------------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| <b>Defined Benefit Section</b>      |                         |                         |                         |                       |
| Pooled investment vehicles          | -                       | 260,313                 | 44,546                  | 304,859               |
| AVC investments                     | -                       | 218                     | 682                     | 900                   |
| Cash                                | 165                     | -                       | -                       | 165                   |
| Other investment balances           | 527                     | -                       | -                       | 527                   |
|                                     | <u>692</u>              | <u>260,531</u>          | <u>45,228</u>           | <u>306,451</u>        |
| <b>Defined Contribution Section</b> |                         |                         |                         |                       |
| Pooled investment vehicles          | -                       | 10,169                  | -                       | 10,169                |
|                                     | <u>-</u>                | <u>10,169</u>           | <u>-</u>                | <u>10,169</u>         |
|                                     | <u>692</u>              | <u>270,700</u>          | <u>45,228</u>           | <u>316,620</u>        |

Analysis for the prior year end is as follows:

|                                     | 2019<br>Level 1<br>£000 | 2019<br>Level 2<br>£000 | 2019<br>Level 3<br>£000 | 2019<br>Total<br>£000 |
|-------------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| <b>Defined Benefit Section</b>      |                         |                         |                         |                       |
| Pooled investment vehicles          | -                       | 323,511                 | -                       | 323,511               |
| AVC investments                     | -                       | 191                     | 634                     | 825                   |
| Cash                                | -                       | -                       | -                       | -                     |
| Other investment balances           | 418                     | -                       | -                       | 418                   |
|                                     | <u>418</u>              | <u>323,702</u>          | <u>634</u>              | <u>324,754</u>        |
| <b>Defined Contribution Section</b> |                         |                         |                         |                       |
| Pooled investment vehicles          | -                       | 10,947                  | -                       | 10,947                |
|                                     | <u>-</u>                | <u>10,947</u>           | <u>-</u>                | <u>10,947</u>         |
|                                     | <u>418</u>              | <u>334,649</u>          | <u>634</u>              | <u>335,701</u>        |

## **17. Investment risks**

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

**Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Market risk:** this comprises currency risk, interest rate risk and other price risk.

**Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

**Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market exchange rates.

**Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Plan has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report for the Defined Benefit Section (DBS) and Defined Contribution Section (DCS). The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Plan's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

The Plan invests in sterling denominated pooled investment vehicles (PIVs). The Plan therefore has direct credit risk to the PIV provider and indirect credit and market risks arising from the underlying investments of the PIVs. The Trustee selects the PIVs based on their investment mandates and monitor the PIV at the fund level. The investment managers are responsible for managing the underlying credit and market risks within the PIVs.

Further information on the Trustee's approach to risk management and the Plan's exposures to credit and market risks are set out below. This does not include AVC investments or legacy annuity policies as these are not considered significant in relation to the overall investments of the Plan.

### **Direct Credit risk**

The Plan is subject to direct credit risk with the pooled investment managers listed on page 1. Direct 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 regulatory and operating environment of the pooled manager. A summary of pooled investment vehicles by type of arrangement is as follows:

|   | <b>2019</b>    | <b>2018</b>    |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Authorised unit trusts: Defined Benefit Section | 304,859        | 323,511        |
| Unitholdings: Defined Contribution Section      | 10,169         | 10,947         |
| <b>Total</b>                                    | <b>315,028</b> | <b>334,458</b> |

Cash is held within financial institutions which are at least investment grade credit rated.

All the pooled investment vehicles are unrated.

## Avon Rubber Retirement and Death Benefits Plan

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#### Notes to the Financial Statements

#### 17. Investment risks continued

##### Indirect credit and market risks

The table below summarises which PIVs have significant exposure to indirect credit and market risks.

##### Defined Benefit section

|                                  | Credit risk | Foreign exchange risk | Interest rate risk | Other price risk |
|----------------------------------|-------------|-----------------------|--------------------|------------------|
| Majedie - UK Equity              |             | ✓                     | ✓                  | ✓                |
| Insight - Broad Opportunities    | ✓           | ✓                     | ✓                  | ✓                |
| Ruffer Absolute Return           | ✓           | ✓                     | ✓                  | ✓                |
| CQS - Multi Asset Credit         | ✓           | ✓                     | ✓                  | ✓                |
| Ares- Secured Finance            | ✓           | ✓                     | ✓                  |                  |
| BlackRock - Fixed Interest Gilts | ✓           |                       | ✓                  |                  |
| BlackRock - Index Linked Gilts   | ✓           |                       | ✓                  | ✓                |
| BlackRock - Liquidity            | ✓           |                       | ✓                  |                  |

##### Defined Contribution section

The Defined Contribution Section is subject to direct credit risk in relation to Standard Life Assurance Limited through its holding in Unitised insurance contracts provided by Standard Life.

Standard Life Assurance Limited is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the creditworthiness of Standard Life Assurance Limited by reviewing published credit ratings. Standard Life Assurance Limited invests all the Plan's funds in its own investment unit linked funds and it does not use any other investment funds or reinsurance arrangements. In the event of default by Standard Life Assurance Limited, the Plan is protected by the Financial Services Compensation Scheme.

The table below summarises which PIVs have significant exposure to indirect credit and market risks.

|  | Credit risk | Foreign exchange risk | Interest rate risk | Other price risk |
|--|-------------|-----------------------|--------------------|------------------|
| Standard Life Active Plus III Pension Fund   | ✓           | ✓                     | ✓                  | ✓                |
| Standard Life Pre Retirement Pension Fund    | ✓           | ✓                     | ✓                  | ✓                |
| Standard Life at Retirement Pension Fund     | ✓           | ✓                     | ✓                  | ✓                |
| Strategic Lifestyle Active Plus IV           | ✓           | ✓                     | ✓                  | ✓                |
| Strategic Lifestyle Active Plus V            | ✓           | ✓                     | ✓                  | ✓                |
| Standard Life Myfolio Managed V Pension Fund | ✓           | ✓                     | ✓                  | ✓                |

The above funds are shown here on the basis of materiality. Disclosures are not made in respect of smaller funds.

#### 18. Concentration of Investments

The following investments each account for more than 5% of the Plan's net assets at the year end:

|  | 2020   |      | 2019   |      |
|--|--------|------|--------|------|
|  | £000   | %    | £000   | %    |
| Ares Secured Income Fund                         | 44,546 | 14.1 | N/A    | N/A  |
| Ruffer Absolute Returns Fund I Inc               | 37,718 | 11.9 | 37,224 | 11.1 |
| Insight Broad Opportunities Fund                 | 36,707 | 11.6 | 38,893 | 11.6 |
| CQS Credit Multi-Asset Fund                      | 29,016 | 9.2  | N/A    | N/A  |
| BlackRock ICS GBP ULT DS AGY                     | 27,749 | 8.8  | N/A    | N/A  |
| Majedie UK Focus Fund B Shares                   | 24,577 | 7.8  | 32,070 | 9.6  |
| BlackRock LMF GBP 2032 IL Gilt Flex              | 20,803 | 6.6  | 22,159 | 6.6  |
| BlackRock LMF LEV GBP 2040 I-L Gilt Flex Fund    | 19,924 | 6.3  | 19,104 | 5.7  |
| Skagen Global II Equity Fund                     | N/A    | N/A  | 30,929 | 9.2  |
| Finsbury High Income A Hgd GBP Distributing Fund | N/A    | N/A  | 28,455 | 8.5  |
| First Eagle Amundi International Fund            | N/A    | N/A  | 25,895 | 7.7  |
| Majedie Tortoise Fund                            | N/A    | N/A  | 17,244 | 5.1  |



## 19. Employer-related investments

There was no employer-related investment at any time during the year (2019: £Nil).

## 20. Current assets

|  | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2020<br>Total<br>£000 | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2019<br>Total<br>£000 |
|--|---------------------------------------|--|-----------------------|---------------------------------------|--|-----------------------|
| Contributions due from the employer in respect of: |                                       |  |                       |                                       |  |                       |
| - Employer   | -                                     | 112  | 112                   | 277                                   | 91   | 368                   |
| Reimbursement of insured pensions                  | 3                                     | -  | 3                     | 1                                     | -  | 1                     |
| Pensions paid in advance                           | -                                     | -  | -                     | 2                                     | -  | 2                     |
| Cash deposits held with the Plan Administrator     | 700                                   | 1  | 701                   | 237                                   | 1  | 238                   |
|  | <b>703</b>                            | <b>113</b>                                 | <b>816</b>            | <b>517</b>                            | <b>92</b>                                  | <b>609</b>            |

The contributions due as at 31 March 2020 were received after the year end in accordance with the due date set out in the Schedule of Contributions.

The cash deposits held with the Plan Administrator represents the balance applicable to the Plan on the PFT Limited Clients' Trust Account. The account is held with the National Westminster Bank Plc.

## 21. Current liabilities

|   | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2020<br>Total<br>£000 | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2019<br>Total<br>£000 |
|---|---------------------------------------|--|-----------------------|---------------------------------------|--|-----------------------|
| Reimbursement of pensions received in advance | 62                                    | -  | 62                    | 62                                    | -  | 62                    |
| Pensions payable                              | 4                                     | -  | 4                     | -                                     | -  | -                     |
| Lump sums on retirement payable               | 133                                   | -  | 133                   | 47                                    | -  | 47                    |
| Death benefits payable                        | 49                                    | -  | 49                    | 15                                    | -  | 15                    |
| Taxation payable                              | 148                                   | -  | 148                   | 151                                   | -  | 151                   |
| Administrative expenses payable               | 107                                   | -  | 107                   | 134                                   | -  | 134                   |
| Investment management expenses payable        | 83                                    | -  | 83                    | 137                                   | -  | 137                   |
|   | <b>586</b>                            | <b>-</b>                                   | <b>586</b>            | <b>546</b>                            | <b>-</b>                                   | <b>546</b>            |

## 22. Related party transactions

### (a) Key management personnel of the Plan or its parent (in aggregate)

Of the Trustees in office during the year who are members of the Plan, benefits are in accordance with the Plan rules and on the same terms as normally granted to members. D Little and R Wills are deferred members of the Plan. E Fielding is a retired member of the Plan. Trustees fees and expenses were paid during the year as referenced in note 7. A Trustee fee of £5k (2019: £4k) was payable to D Little and expenses of £2k (2019: £1k) were payable in respect of Trustee expenses. At the year end £1k (2019: £2k) was payable to D Little.

**23. Contingent Liability**

On 26 October 2018, the High Court ruled that benefits provided to members who had contracted out of their Plan must be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 6 April 1997. Following the ruling, it is expected that the Trustees will need to equalise guaranteed minimum pensions between men and women and this will result in an additional liability for the Plan. The Trustee is awaiting further guidance from Government bodies before carrying out this exercise. Any back payments and related interest will be accounted for in the year of payment. However, based on initial assessments completed for the employer's financial statements, the Trustee does not believe the back payments and related interest are material to these financial statements. These payments will be accounted for in the year the payments are made.

## **Avon Rubber Retirement and Death Benefits Plan**

**Annual Report for the year ended 31 March 2020**

### **Independent Auditor's Statement about Contributions to the Trustee**

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#### **Independent Auditor's Statement about Contributions to the Trustee of the Avon Rubber Retirement and Death Benefits Plan**

##### **Statement about contributions**

We have examined the Summary of Contributions payable under the Schedule of Contributions to the Avon Rubber Retirement and Death Benefits Plan in respect of the year ended 31 March 2020 which is set out on page 34.

In our opinion contributions for the Plan year ended 31 March 2020 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 Plan Actuary on 30 January 2017.

##### **Scope of work on statement about contributions**

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

##### **Respective responsibilities of Trustee and Auditor**

As explained more fully in the Statement of Trustee's Responsibilities set out on page 17, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions.

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

##### **The purpose of our work and to whom we owe our responsibilities**

This statement is made solely to the Plan's Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's Trustee for our work, for this statement, or for the opinions we have formed.

**Gemma Brown**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
86 Queen Square  
Bristol  
BS1 4BE  
Date: ..... 23 September 2020 .....

**Avon Rubber Retirement and Death Benefits Plan**  
**Annual Report for the year ended 31 March 2020**  
**Summary of Contributions**

During the year ended 31 March 2020, the contributions payable to the Plan by the Employer were as follows:

|  | Defined<br>Benefit<br>Section<br>£000 | Defined<br>Contribution<br>Section<br>£000 | 2020<br>Total<br>£000 |
|--|---------------------------------------|--|-----------------------|
| <b>Contributions payable under the Schedule of Contributions:</b>  |                                       |  |                       |
| <b>Employer contributions:</b>   |                                       |  |                       |
| Normal   | -                                     | 1,205                                      | 1,205                 |
| Other  | 600                                   | -  | 600                   |
| Deficit funding  | 900                                   | -  | 900                   |
|  | <u>1,500</u>                          | <u>1,205</u>                               | <u>2,705</u>          |
| <b>Employee contributions:</b>   |                                       |  |                       |
| Normal   | -                                     | 4  | 4                     |
|  | <u>-</u>                              | <u>4</u>                                   | <u>4</u>              |
| <b>Contributions payable under the Schedule of Contributions (as reported on by the Plan Auditor) and reported in the financial statements</b> | <u>1,500</u>                          | <u>1,209</u>                               | <u>2,709</u>          |

Approved on behalf of Avon Rubber Pension Trust Limited on 22nd September 2020

.....  
 .....

... Trustee Director

... Trustee Director

**Actuarial Certificate**

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**Certification of schedule of contributions**

**Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2016 to be met by the end of the period specified in the recovery plan dated 30 January 2017.

**Adherence to statement of funding principles**

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

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

**Signature**

Susan Hoare

**Scheme Actuary**

Susan Hoare

**Qualification**

Fellow of the Institute and Faculty of Actuaries

**Date of signing**

30 January 2017

**Name of employer**

Aon Hewitt Limited

**Address**

25 Marsh Street  
Bristol  
BS1 4AQ

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### **Statement of Investment Principles Defined Contribution Section of the Avon Rubber Retirement and Death Benefits Plan**

#### **Introduction**

The Avon Rubber Retirement and Death Benefits Plan ('the Plan') is a hybrid pension scheme consisting of defined benefit (DB) and defined contribution (DC) sections established under the same trust deed. The current document governing the Plan is the rules dated 30 September 2009. This statement is prepared by Avon Rubber Pension Trust Limited as the sole trustee of the Plan ('the Trustee') but relates solely to the DC section; a separate statement is in place for the DB section. The DC section is a "qualifying scheme" for the purposes of automatic enrolment and the Pensions Act 2008.

The DC section contains funds that are earmarked for each member of the Plan which are held under a group insurance policy issued by Standard Life Assurance Limited ('Standard Life') to the Trustee.

#### **The requirement to prepare a Statement of Investment Principles (SIP)**

Under section 35 of the Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004) and regulation 2 of The Occupational Pension Schemes (Investment) Regulations 2005 (the "Investment Regulations"), there is a requirement to prepare a Statement of Investment Principles ('SIP'). A SIP is a written statement of the investment principles governing investment decisions made by the Trustee.

In accordance with The Occupational Pension Schemes (Investment) Regulations 2005 the statement is reviewed:

- At least every three years; and
- Without any delay after any significant change in investment policy or the demographic profile of relevant members.

The Trustee's investment responsibilities are governed by the Plan's trust deed and this Statement takes full regard of its provisions. A copy of the Plan's trust deed is available for inspection upon request.

#### **Strategy**

The Trustee's primary objectives for the Defined Contribution Section are:

- To provide members with a range of investment options to meet their individual risk/return requirements and to monitor and review the range on a regular basis;
- To ensure that the fund range recognises that members' investment needs change as they progress towards retirement age with younger members generally seeking real growth and older members' greater security;
- To ensure that the individual fund options are managed to achieve a return commensurate with an acceptable level of risk given the stated aims of each fund.

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. Members are responsible for selecting the fund or combination of funds in which they wish to invest their pension accounts from the available range.

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The Trustee uses a fund platform provided by Standard Life to implement the Plan's objective. The platform provides access to a range of pooled funds through a single administration interface. Members currently have access to all of the funds available on the Standard Life platform, but will be reviewed in 2020. The available funds are listed in a member booklet published by Standard Life on their website.

In addition, the Plan offers the **Standard Life Active Plus III Universal Strategic Lifestyle Profile Fund**.

There are three main stages in this investment strategy:

- More than 10 years to retirement (the 'growth phase'), assets are invested in the Standard Life Active Plus III Pension Fund which aims to produce growth while being managed to a balanced level of risk;
- Between 10 and 5 years to retirement, half of the assets are gradually moved into the Standard Life Pre Retirement (Active Plus Universal) Pension Fund, which is a lower risk fund than the earlier growth phase;
- During the last 5 years before retirement, all the assets are gradually moved into the Standard Life At Retirement (Active Plus Universal) Pension Fund, which is the lowest risk fund of the three and is designed to give flexibility at retirement or to be appropriate for drawdown.

### **Default Investment**

The Trustee is required to designate a default investment strategy for members who join the Plan and do not choose an investment option for how their contributions are invested. The Trustee has designated the Standard Life Active Plus III Universal Strategic Lifestyle Profile (outlined above) as the default arrangement for the Plan. This fund has been designed by Standard Life to be appropriate for drawdown at retirement.

The Default option was reviewed in 2017. The default will be reviewed again in 2020 with regard to the current membership profile of the Plan.

The Trustee's policies in relation to the Default arrangement in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended are those set out elsewhere in this document as they apply similarly to the overall fund range within the DC section.

### **Risk Measurement and Management**

The Trustee has considered risk from a number of perspectives.

The investment options made available to members have been chosen with the aim of enabling members to control the following risks:

- **Inflation risk.** The risk that the investment returns over members' working lives will not keep pace with inflation and will not, therefore, secure an adequate retirement benefit.
- **Volatility risk.** The risk of significant short-term fluctuations in the value of members' invested capital which some members may be concerned about.

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- **Capital risk.** The risk of a significant fall in the value of members' invested capital as they approach retirement.
- **Conversion risk.** The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured.

A number of other risks have also been considered when deciding on the investment options to make available to members:

- **Default option risk.** The risk of the default option being unsuitable for the requirements of some members. The Trustee has provided additional Lifestyle and Individual fund options in addition to the default, and has communicated to members the need to review their own requirements and circumstances before making any investment decisions.
- **Investment Manager Risk.** The risk that the selected investment managers underperform their objectives. The Trustee also provides passive options that avoid active management risk.
- **Diversification Risk.** The Trustee has chosen funds that are constructed from well diversified portfolios of assets to reduce the stock specific risk faced by the Plan.
- **Liquidity.** Being forced to sell investments to pay benefits in unfavourable financial market conditions. The Trustee has invested in unitised pooled funds which are easily redeemable.
- **Geared or speculative investments using derivatives.** The Trustee has not invested in funds that are geared or make speculative use of derivatives.
- **Credit Risk.** The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit risk the Plan is exposed to arises from both holdings in the underlying funds, and through the investment in the Standard Life platform.
- **Market Risk.** The Plan is subject to currency, interest rate and other price risk associated with the underlying investments on the Standard Life platform. These risks can impact the valuations of the funds. The Trustee has selected a wide range of funds to be available to allow members to suitably diversify their investments to manage these risks. This is also considered when setting the lifestyle strategies.

Due to the complex and interrelated nature of these risks, the Trustee generally considers these risks in a qualitative rather than quantitative manner as part of an ongoing review process.

### Implementation

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk, and also that different members may wish to target different forms of benefit at retirement.

The Trustee believes that members should be able to make their own investment decisions based on their individual circumstances. The Trustee regards its duty as making available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs, if they so wish.

The range of funds, and default strategies, was chosen by the Trustee after taking advice from the Trustee's investment advisers. In choosing the Plan's

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Investment options, It is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification of asset classes.
- The current and expected future membership of the Plan.

**Governance**

The Trustee is responsible for the investment of the Plan's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

|  |  |
|--|--|
| <p><b>Trustee</b></p> <ul style="list-style-type: none"> <li>- Monitors actual returns versus the Plan's investment objective.</li> <li>- Sets structures and processes for carrying out its role.</li> <li>-</li> <li>- Selects investment advisers and fund managers.</li> <li>- Decides on appropriate structure for implementing investment strategy.</li> <li>- Monitors investment advisers and fund managers.</li> <li>- Makes ongoing decisions relevant to the operational principles of the Plan's investment strategy.</li> <li>- Reviews the DC fund range and lifestyle options.</li> </ul> |  |
| <p><b>Investment Advisers</b></p> <ul style="list-style-type: none"> <li>- Advise on all aspects of the investment of the Plan's assets, including implementation as required.</li> <li>- Advise on this statement.</li> <li>- Provide any required training.</li> </ul>   | <p><b>Platform Provider</b></p> <ul style="list-style-type: none"> <li>- Operates within the terms of this statement and their written contracts.</li> <li>- Manages the allocation of certain of the funds (including the default) between underlying fund managers, in accordance with agreed benchmarks and rebalancing protocols.</li> </ul> |

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee endorses the UK Stewardship Code (the 'Code') that was published in July 2010 by the Financial Reporting Council. The Code employs the same principles as set out in the Institutional Shareholder Committee's Statement of Principles.

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The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

### **Environmental, Social and Governance Considerations**

The Trustee views any considerations that can affect long term, risk adjusted returns as being financially material. Financially material considerations include environmental, social and governance factors, including climate change, which can negatively impact the value of investments held if not understood and evaluated properly.

The Trustee considers these risks by taking advice from their investment adviser when setting the Plan's investment strategy, when selecting managers and when monitoring their performance.

### **Stewardship – Voting and Engagement**

As part of their delegated responsibilities, the Trustee expects the Plan's fund managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets.
- Exercise the Trustee's voting rights in relation to the Plan's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

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### **Members' Views and Non-Financial Factors**

The Trustee recognises the importance of offering a suitable range of investment options for members and, where applicable, will consider member feedback on updating the default strategy and self-select fund range.

The funds that make up the default strategy and other investment options do not apply purely ethical or moral judgements as the basis for investment decisions.

### **Realisation of Investments**

The Plan's assets are invested in daily priced pooled investment funds, and the vast majority of the underlying assets are invested in quoted markets. The platform provider can be required to realise investments as soon as it becomes appropriate to do so.

### **Review**

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy or the demographic profile of relevant members. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Dated: November 2019

Signed:

Signed:

