

Endsleigh Insurance Services Limited Pension and Assurance Scheme

Annual report and financial statements

Year ended 31 December 2018

**Endsleigh Insurance Services Limited Pension and Assurance Scheme
Annual report to members for the year ended 31 December 2018**

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Welcome from the Trustee chairman



Welcome to the 2018 annual report and financial statements. 2018 was a significant year in the scheme's history which saw the closure of the scheme to future contributions and the transfer of responsibility for the scheme from Endsleigh to Zurich.

The latter resulted in a number of changes to the directors on the Trustee Board and, in July 2018, the three Endsleigh company nominated directors resigned and were replaced by three Zurich company nominated directors.

Our main focus in the latter part of the year was the actuarial valuation as at 31 December 2017 and the final report was approved on 25 March 2019. We have also reviewed our obligations under the General Data Protection Regulation (GDPR) and started to work through the details of the High Court judgement in the Lloyds Banking Group case around equalising guaranteed minimum pensions.

Scheme closure and transfer of responsibility to Zurich

In March 2018, Zurich sold the Endsleigh group of companies to A-Plan Holdings and a number of changes were made to the scheme.

Shortly before the sale, and following consultation with active scheme members, Endsleigh closed the pension scheme to all active members.

The Trustee company and EFS Financial Services Ltd (EFSL) did not transfer to A-Plan Holdings and were retained by the Zurich Group.

The scheme rules were amended to permit EFSL to replace Endsleigh Insurance Services Limited as the Principal Employer and after taking advice we agreed to apportion all the departing employers' obligations to the scheme to EFSL as permitted under UK pension's regulation. This has been reported to the Pensions Regulator.

This means that the Zurich Group has taken over responsibility for the Endsleigh scheme, rather than transferring it to A-Plan Holdings ownership.

Full details are included on page 10.

Valuation and scheme funding (EPensionBuilder)

We undertake a full scheme valuation every three years and in the intervening years we obtain an annual funding update. During the year we commenced work on the full valuation as at 31 December 2017 and the final report was approved on 25 March 2019.

The valuation results showed that there is a deficit in EPensionBuilder and we have agreed a recovery plan

with the sponsoring company to meet this shortfall by 30 June 2026.

Investment strategy (EPensionBuilder)

Our investment strategy is kept under review and aims to find a balance between reducing risk and maintaining growth whilst being mindful of the need to find assets that match the cash flows of our liabilities (i.e. the pensions that we will pay out in the future).

In 2015 we agreed to use Liability Driven Investment, or LDI, to further reduce the EPensionBuilder section's exposure to changes in interest rates and inflation and this is being managed for the scheme by Insight. A three year implementation plan commenced in 2017 which involved a quarterly re-balancing of investments from L&G to the LDI assets with Insight.

You can read more about our investment strategy by turning to page 26.

Value for members (ECashBuilder)

The Trustee has a duty to assess value for members in the scheme's DC arrangements. Our review for this scheme year focussed on whether the scope and quality of the services available to ECashBuilder members provides good value when compared with the costs and charges. Our DC investment advisers, Barnett Waddingham, provided benchmarking information gathered from other pension schemes to support our review.

A small number of members also participated in a focus group and their valuable input helped us to draw conclusions on whether the scheme services are suitable for, relevant to, and valued by members.

Overall we were reassured that ECashBuilder is a quality DC arrangement which provides good value for members. You can read more about our assessment of value for members in the Chair's statement on [page 15](#).

Changes to the Trustee board

Following the transfer of responsibility for the scheme from Endsleigh to Zurich, the three Endsleigh company nominated directors, Lucy Brooks, Elaine Etheridge and Jackie Ward, resigned from the Trustee board. They were replaced by three Zurich company nominated directors - Phil Agg, Tim Grant and Greg Wenzelul.

In addition, in August 2018, the term of office for the two member nominated directors expired. We invited members employed by Endsleigh and pensioners to put themselves forward. Rory Grant decided not to stand for reappointment and we only received one nomination from the current member nominated director, Pete Bishop. Pete was reappointed and the Trustee board is currently operating with a vacancy for a member nominated

director.

We would like to thank Lucy, Elaine, Jacquie and Rory for their valuable input and commitment to the Trustee Board.

Trustee board effectiveness

During the year, we have continued our focus on ensuring we meet the Pensions Regulator's expectations on how a well-run scheme should be managed. Part of this is ensuring that the trustee directors have enough knowledge and understanding to be able to carry out their function as a trustee.

Each year we set aside at least one day for training and development. This year our training day focussed on LDI, liability management and member options. We also participated in a focus group on ESG investment. All our training is delivered by appropriate specialists in the relevant fields.

General Data Protection Regulation (GDPR)

The GDPR is the new regulation that was brought in by the EU on 25 May 2018 to introduce greater control over the use of personal data. As a data controller, the Trustee has an obligation under the GDPR and we have undertaken a full review to ensure that we, and our data processors, comply with those obligations. Further details regarding how we process personal information relating to you were outlined in our May 2018 Newsflash.

High Court judgment about equalising guaranteed minimum pensions

The Trustee of some of the Lloyds Banking Group pension schemes started proceedings in the High Court in May 2017 in relation to the complex issue of Guaranteed Minimum Pension (GMP) equalisation.

The law had not been clear about whether GMPs should be equalised (so that male and female members are treated the same), or how it might be done and the High Court was asked to clarify the situation.

On 26 October 2018, the High Court made its initial decision and decided that all benefits, including GMPs, built up between 17 May 1990 and 5 April 1997 should be equalised for male and female members. The outcome of this judgment affects EPensionBuilder benefits built up between these dates.

The Trustee of the Scheme is aware that the issue will affect the Scheme and will be considering this at a future meeting before agreeing next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

I hope you enjoy reading this year's report and find it engaging and informative. As always, we welcome feedback, so if you have any comments or questions on the annual report, please get in touch using the contact details on page 8.

With very best wishes,



Clive Gilchrist

Trustee Chairman

Trustee's report

How the scheme is managed

Trustee board

This pension scheme is set up under trust, which ensures a high level of security for members' benefits by legally separating the pension scheme's assets from those of the sponsoring company. Endsleigh Insurance Services Limited was the sponsoring company until 26 March 2018 when it was replaced by Endsleigh Financial Services Limited. EFSL subsequently changed its name to EFS Financial Services Ltd (EFSL). When we refer in this report to the company, we mean the sponsoring company.

The trustee company, Endsleigh Pension Trustee Ltd, is responsible for managing the trust. Each trustee company director (usually referred to as a "trustee director") has a legal duty to run the scheme in accordance with the governing trust deed and rules for the benefit of members and their dependants.

At least one third of the total trustee directors must be nominated by the members. The remaining trustee directors are nominated by the company. The Trustee board can operate with vacancies, which does happen from time to time when people leave. The Trustee board follows Zurich group and industry best practice, but operates quite independently. Importantly, one of the trustee directors is completely independent of Endsleigh and Zurich's day to day business.

Terms of office

Provided they remain eligible, member nominated trustee directors are appointed for a three year term (unless they choose to resign before this). At the end of the three years, they can choose to stand for selection again.

Trustee directors nominated by the company do not have fixed terms of office and continue as trustee directors until they resign or the company removes them.

Any trustee director will stop being a trustee director immediately if they are prohibited by law from acting as a trustee or a director.

Selecting member and pensioner trustee directors

Following the closure of the scheme, the trustee changed the criteria for member nominated trustee directors to ensure that the existing directors (or

future new directors) could continue to act, so long as they remained employed by Endsleigh. Consequently, every three years, employed deferred members, deferred members who have been in continuous employment with Endsleigh since 23 March 2018, and pensioners are asked to make nominations for the two member nominated trustee director positions.

Member nominated trustee directors are selected through a competency based interview. A selection panel consisting of two trustee directors plus Zurich's Head of UK Pensions and Benefits (or a nominated representative) will select up to two nominees who have the necessary skills and aptitude to be trustee directors.

This selection process was run in 2018 and Pete Bishop was re-appointed by the Trustee for a further three year term. Rory Grant decided not to stand for a further term and as no other nominations were received the Trustee board is currently operating with a vacancy. The selection process is due to be run again during 2019 in order to fill the vacancy.

Changes to the Trustee board

The following changes to the Trustee board happened during 2018.

Trustee	Resigned/Appointed
Elaine Etheridge <i>Company nominated</i>	Resigned 04/07/2018
Lucy Brooks <i>Company nominated</i>	Resigned 23/07/2018
Jacque Ward <i>Company nominated</i>	Resigned 23/07/2018
Phil Agg <i>Company nominated</i>	Appointed 23/07/2018
Tim Grant <i>Company nominated</i>	Appointed 23/07/2018
Greg Wenzelul <i>Company nominated</i>	Appointed 23/07/2018
Rory Grant <i>Member nominated</i>	Resigned 31/08/2018
Pete Bishop <i>Member nominated</i>	Re-appointed 01/09/2018

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Trustee directors at 31 December 2018



Clive Gilchrist (Chair)
Deputy chairman of
BESTrustees



Pete Bishop
Senior Analyst Programmer,
IT, Endsleigh
Re-appointed 01/09/2018



Phil Agg
Head of PM & Compensation
EMEA, Zurich
Appointed 23/07/2018



Tim Grant
UK Financial Controller, Zurich
Appointed 23/07/2018



Greg Wenzel
Head of Longevity Risk
Transfer/Strategic Execution
Zurich
Appointed 23/07/2018

Trustee directors who resigned during the scheme year



Lucy Brooks
Head of People &
Development, Endsleigh
Resigned 23/07/2018



Elaine Etheridge
Operations Manager,
Endsleigh
Resigned 04/07/2018



Rory Grant
Home Account Manager,
Endsleigh
Resigned 31/08/2018



Jacquie Ward
Head of Compliance & Risk,
Endsleigh
Resigned 23/07/2018

**Independent trustee
director**

**Company nominated
trustee director**

**Member nominated
trustee director**

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Trustee advisers

The Trustee board is required to appoint advisers and managers to act on its behalf. In certain circumstances it cannot take decisions without first considering written advice from its advisers. The appointed advisers and their firms are shown below. The Trustee board review these on a regular basis.

<p style="text-align: center;">Scheme actuary</p> <p style="text-align: center;">Susanna Morran, FIA, Barnett Waddingham LLP</p> 	<p style="text-align: center;">Solicitors</p> <p style="text-align: center;">TLT Solicitors</p> 
<p style="text-align: center;">Investment managers</p> <p style="text-align: center;">Zurich Assurance Limited</p>  <p style="text-align: center;">Legal & General Assurance (Pensions Management) Limited</p>  <p style="text-align: center;">Insight LDI Solutions Plus plc</p> 	<p style="text-align: center;">Scheme administrator</p> <p style="text-align: center;">EPensionBuilder: ZPen team, Zurich</p>  <p>ECashBuilder: Zurich Assurance Limited to April 2018, then Scottish Widows</p> <p><i>On 3 April 2018, Zurich Assurance Limited's corporate savings business was sold to Lloyds Banking Group. (The administration of ECashBuilder transferred to Lloyds Banking Group's Scottish Widows business as part of the sale. The funds remain insured by Zurich Assurance Limited until the part VII transfer takes effect, which is due to complete on 1 July 2019).</i></p>  
<p style="text-align: center;">Independent auditors/Covenant advisers</p> <p style="text-align: center;">PricewaterhouseCoopers LLP</p> 	<p style="text-align: center;">Investment adviser</p> <p style="text-align: center;">Barnett Waddingham LLP</p> 
<p style="text-align: center;">Bankers</p> <p style="text-align: center;">NatWest</p> 	<p style="text-align: center;">Insurance company</p> <p style="text-align: center;">Zurich Assurance Ltd (until 26 March 2018)</p> 
<p style="text-align: center;">Trustee company secretary</p> <p style="text-align: center;">Endsleigh Corporate Secretary Limited (to 26 March 2018)</p> <p style="text-align: center;">Zurich Corporate Secretary (UK) Limited (from 26 March 2018)</p>	<p style="text-align: center;">Trustee company secretary</p> <p style="text-align: center;">Endsleigh Corporate Secretary Limited (to 26 March 2018)</p> <p style="text-align: center;">Zurich Corporate Secretary (UK) Limited (from 26 March 2018)</p>
<p style="text-align: center;">Scheme secretary</p> <p style="text-align: center;">Claire Calo, Zurich, ZPen team</p>	<p style="text-align: center;">Scheme secretary</p> <p style="text-align: center;">Claire Calo, Zurich, ZPen team</p>

Address for general information and individual benefit enquiries

EPensionBuilder (and scheme secretary)

The ZPen team
UK Pensions and Benefits
Zurich Insurance Group
Compass House
Endsleigh Park
Shurdington Road
Cheltenham
Gloucestershire
GL51 4UE
Email: epenhelp@uk.zurich.com

ECashBuilder

Scottish Widows
The Grange
Bishops Cleeve
Cheltenham
Gloucestershire
GL52 8XX

Website:
<https://www.zurich.co.uk/save/ecashbuilder2016>
Email: help@zurichmoney4life.co.uk

Trustee's responsibilities

The Trustee board has a responsibility for managing the scheme through appropriate internal controls to:

- safeguard the scheme's assets, and
- ensure that adequate accounting records are kept, and
- prevent and detect fraud and other irregularities.

The Trustee board must make information about the scheme available to members in an annual report.

Conflicts of interest and duty

The Trustee board has a formal policy and procedure on managing conflicts of interest and duty which complies with Companies Act 2006 requirements.

All trustee directors must declare any "interests" – that is directorships or other situations where they have (or could potentially have) an interest that conflicts with the interests of the trustee company. For example, a trustee director might also be a director of a Zurich Group company or might be a member of the scheme. These interests must then be formally authorised by the Trustee board or the EFS Financial Services Ltd board (if there is not a quorum of non-conflicted trustee directors) to enable the directors to continue to participate in discussions and decision making. All authorised interests are maintained in a formal register which is reviewed annually.

Managing conflicts

The Trustee board must still manage conflicts even where the particular situation has been authorised. If a trustee director is conflicted on a particular matter they will usually not take part in any decision on that matter. Where there is acute conflict, the trustee director may withdraw from any discussions relating to the matter.

The policy also describes the Trustee board's obligations on how to handle confidential information acquired in their trustee director role and in other roles.

Trustee knowledge and understanding

By law¹, the trustee directors must have enough knowledge and understanding to be able to carry out their function as a trustee. This requirement is reinforced by the Pensions Regulator, who has set out his expectations for trustee knowledge and understanding (TKU) in a Code of Practice.

The Trustee board has a formal policy on TKU, and this is reviewed to ensure continued compliance with the Regulator's requirements. New trustee directors must complete the Regulator's training course, the "trustee toolkit", within six months of appointment.

Normally, all trustee directors have formal annual assessments which review TKU and set development objectives. These objectives are met through tailored training programmes which use a variety of training tools, including interactive workshop sessions, seminars and individual study. Use is made of in house expertise and the trustee's own advisers as well as external training programmes and seminars. The scheme's professional advisers send the trustee directors relevant legislative updates and they are offered practical support. Due to the number of changes to the trustee directors during the 2018 scheme year the annual reviews were put on hold. These were carried out in Spring 2019.

At least once a year the trustee directors participate in a training and team development day, using a workshop format facilitated by the scheme management team and external expertise. This year the training focussed on Liability Driven Investments (LDI), liability management and member choices. The trustee directors also participated in an ESG (environmental, social and governance) investment focus group.

The trustee directors are encouraged to study for formal qualifications and Pete Bishop and Clive Gilchrist have both passed the Pension Management Institute's certificate for Pension Trusteeship. In

¹ Pensions Act 2004

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addition, all trustee directors have completed the core modules of the Pensions Regulator's trustee toolkit.

How the scheme is structured

A brief history of the scheme

The pension scheme was originally established in the 1970s to provide pension benefits for Endsleigh employees.

The original trust deed was dated 30 December 1970. That deed was amended on a number of occasions (mainly to take account of changes in legislation) and consolidated into a new deed with an effective date of 30 March 2006.

In 2001, the scheme was closed to new members and Endsleigh introduced a Stakeholder scheme. Endsleigh ceased contributions to the Stakeholder Scheme on 31 May 2011 and on 1 June 2011 introduced a defined contribution section within the original scheme. This section was called ECashBuilder and the final salary section was re-branded as EPensionBuilder.

EPensionBuilder provides what are known as 'final salary' benefits; that is, the final emerging pension is calculated by reference to service and pensionable salary. With effect from 31 December 2015 EPensionBuilder was closed to future accrual, with all active members joining ECashBuilder for future benefits from 1 January 2016.

ECashBuilder provides 'defined contribution' benefits where the final benefits depend on how much has been paid in, what the investment returns have been and the way in which the member decides to take their benefits.

In March 2018, Zurich sold the Endsleigh group of companies to A-Plan Holdings and the scheme was closed to active members. From 1 April 2018, Endsleigh has provided retirement and life assurance benefits to its employees through a new arrangement.

On the sale of the Endsleigh group of companies, the trustee company and EFSL were retained by the Zurich Group. The scheme rules were amended to permit EFSL to replace Endsleigh Insurance Services Limited as the Principal Employer and all the departing employers' obligations to the scheme were apportioned to EFSL.

This means that the Zurich Group has taken over responsibility for the Endsleigh scheme, rather than transferring it to A-Plan Holdings.

The trustee company

The trustee company has 1 share, previously held by Endsleigh Insurance Services Limited and now held by Zurich Holdings Ltd.

The sponsoring company

From 26 March 2018, EFSL replaced Endsleigh Insurance Services Limited as the company responsible for the scheme. Prior to the closure of the scheme on 23 March 2018, the following companies also had employees who were eligible to participate in the scheme:

- Endsleigh Financial Services Limited
- Endsleigh Insurances (Brokers) Limited
- Endsleigh Insurance Services Limited
- Endsleigh Limited
- PLE Employment Services Limited (*ECashBuilder only*)
- TCS Loss Adjusters Limited (formerly John Davies Chartered Loss Adjusters Limited)
- Woodstock Insurances Brokers Limited (*ECashBuilder only*)

Overview of the scheme year

Trustee meetings

The trustee directors normally meet as a full board at least four times a year. The trustee directors will usually act by consensus, although they do each have one vote, should the need arise. The chairman does not have a casting vote.

This year there were four regular Trustee board meetings, ten additional meetings to discuss the sale of the Endsleigh group of companies and the changes to the scheme, three additional meetings to discuss specific items of business, and a training day. Meeting attendance is recorded in the table below.

Trustee director	Number of meetings attended
Clive Gilchrist	16/18
Phil Agg	4/5
Pete Bishop	17/18
Lucy Brooks	11/13
Elaine Etheridge	10/13
Rory Grant	15/15
Tim Grant	5/5
Jacquie Ward	12/13
Greg Wenzelul	4/5

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Changes made during the scheme year

Scheme closure and transfer of responsibility for the scheme from Endsleigh to Zurich

As a result of the sale by Zurich of the Endsleigh group of companies to A-Plan Holdings in March 2018, the following changes have been made to the pension scheme.

Scheme closure

Shortly before the sale, and following consultation with active scheme members, the company closed the pension scheme completely to all active members.

In summary:

- Contributions to ECashBuilder were remitted on 22 March 2018 with a credit to 31 March 2018 for all employees remaining in service to that date;
- Death in service benefits continued to apply for all members until 31 March 2018;
- The DB final salary link continued to apply to 31 March 2018 and from 1 April 2018 all former DB members became "employed deferred" members until such time as they leave employment with an Endsleigh employer who participated in the scheme as at 23 March 2018.

To reflect the changes to members' status as a result of the closure of the pension scheme, the Trustee also changed the criteria for member nominated

trustee directors to ensure that the existing directors (or future new directors) could continue to act, so long as they remained employed by Endsleigh.

Replacement of Principal Employer

- The pension scheme trustee company and EFSL were retained by Zurich Holdings UK Limited, the company which owned the Endsleigh group of companies before they were sold to A-Plan Holdings.
- EFSL replaced Endsleigh Insurance Services Limited (EISL) as Principal Employer on 26 March 2018. To enable this, the rules were amended to permit EFSL to become the new principal employer.
- This means that the Zurich Group has taken over responsibility for the Endsleigh scheme, rather than transferring it to A-Plan Holdings ownership.

Apportionment of the departing Endsleigh employers' pension scheme liabilities

After talking advice from their lawyers, actuary and covenant advisers, the Trustee agreed to all departing employers' obligations to the scheme being assigned to EFSL under a Flexible Apportionment Arrangement, as permitted under UK pensions regulation. This has been notified to the Pensions Regulator. The Trustee was satisfied after considering all options, together with the external advice, that the security of members' benefits was improved under the new structure.

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Preparation and audit of financial statements

The financial statements for the year are set out on pages 38 to 48 and scheme membership details are detailed on page 14.

The Trustee board confirm that the financial statements have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Employer related investment

There were no employer related investments (as defined by the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005) in Zurich Group companies at any time during the year or at year end.

Transfers out of the scheme

Individuals who leave the scheme before they retire can, if they wish, transfer the value of their benefits (usually known as a cash equivalent) into another pension arrangement. During the scheme year all cash equivalent values were calculated and verified in the manner prescribed by regulations made under section 97 of the Pension Schemes Act 1993. No allowance is made in these calculations for any discretionary benefits. There were no transfers where the cash equivalent paid was less than the amount provided for by section 94(1) of the Pension Schemes Act 1993.

Pension Increases - EPensionBuilder

Pensions in payment

The Trust Deed and Rules makes provision for pensions in payment to be increased annually on the anniversary of retirement. The following table sets out how pensions in payment are increased for different periods of service.

None of the increases were discretionary. There is more information about how pension increases are calculated in the members' guide. For pensioners with pensionable service before 6 April 1997, and who were over Guaranteed Minimum Pension (GMP) payment age before 6 April 2016, the state rather than the scheme may increase part of their pension. However, for members achieving GMP payment age after 6 April 2016 the state no longer provides these increases.

Category	Pensionable service	Rate in 2018
Pensions payable for leavers before 6 April 1997	All pensionable service	3%
Pensions payable for leavers after 6 April 1997	Pensionable service up to 31 December 2003	3.9%
	Pensionable service between 1 January 2004 and 5 April 2006	3.9%
	Pensionable service from 6 April 2006	2.5%

Preserved pensions

The Trust Deed and Rules also make provision for preserved pensions to be increased annually, between members leaving and retirement. The following table shows the rates of increase applicable.

Pensionable service	Rate
Pensionable service up to 31 December 2003	Fixed 5%
Pensionable service from 01 January 2004	RPI subject to a maximum of 5%
Guaranteed minimum pension (GMP)	In accordance with statutory increases

Scheme running costs

A budget for scheme expenses is agreed by the Trustee with EFSL on an annual basis and actual spend against budget is monitored throughout the year.

Compliance Statement

Tax status of the scheme

The scheme is a registered scheme and as such is exempt from most UK income and capital gains taxes. The Trustee knows of no reason why this registration should be withdrawn.

Scheme investments

The investment managers appointed on behalf of the Trustee to manage funds under section 34 of the Pensions Act 1995 is appropriately authorised under the Financial Services and Markets Act 2000 to manage investments or is specifically exempted from the requirements of the Act. The investment managers appointed have the appropriate knowledge and experience necessary to manage the particular investment delegated to them.

Statement of trustees' responsibilities in respect of the financial statements

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

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in 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 relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the scheme will continue as a going concern.

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

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept

and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Statement of trustees' responsibility in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the scheme 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 to members.

The Pensions Regulator – codes of practice

The Pensions Regulator is the body that regulates work-based pension arrangements.

The Pensions Regulator's objectives are to protect the benefits of pension scheme members, to reduce the risk of calls on the Pension Protection Fund (PPF), and to promote the good administration of work-based pension schemes.

The Pensions Regulator has a number of regulatory tools, including issuing codes of practice, to enable it to meet its statutory objectives. The Pensions Regulator will target its resources on those areas where members' benefits are at greatest risk.

Codes of practice provide practical guidelines on the requirements of pensions legislation and set out the standards of conduct and practice expected of those who must meet these requirements. The intention is that the standards set out in the code are consistent with how a well-run pension scheme would choose to meet its legal requirements.

Codes of practice are not statements of the law and there is no penalty for failing to comply with them. It is not necessary for all the provisions of a code of practice to be followed in every circumstance. Any alternative approach to that appearing in the code of practice will nevertheless need to meet the underlying legal requirements, and a penalty may be

imposed if these requirements are not met. When determining whether the legal requirements have been met, a court or tribunal must take any relevant codes of practice into account.

The Pensions Regulator has so far produced thirteen codes of practice and details on how the scheme complies with the codes can be obtained on request from the Scheme Secretary.

Investment Governance Group (IGG): Principles for Investment Governance

In 2002 Paul Myners published a review of institutional investment which found shortcomings in the expertise and organisation of investment decision making by pension fund trustees. The “Myners Principles” followed: these set out to codify best practice in investment decision making. Compliance with the Principles was voluntary but pension fund trustees were expected to consider how these principles applied to their fund and to report on a

'comply or explain' basis on how they had used them.

Following a further review of institutional investment in 2008, the IGG was set up to encourage ownership and promotion of the Myners' Principles. The IGG has updated the original Principles (aimed at defined benefit/final salary schemes) and also used these as a basis for their six Principles for defined contribution/money purchase schemes.

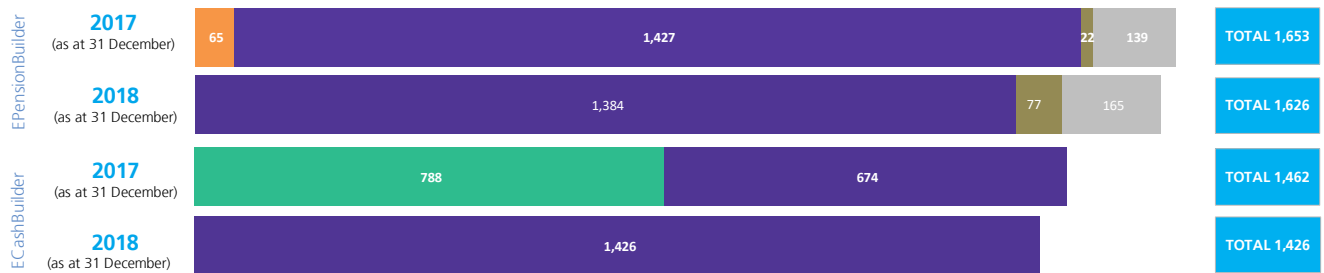
The Principles complement existing regulations but are not a legal requirement. The IGG suggest that they are used as a checklist against which pension schemes can identify areas in need of improvement.

Details of the Principles, together with notes on our approach, are available on request from the Scheme Secretary.

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

Membership details

The change in membership of the scheme during the year is given below.



● Active ● Final salary link * ● Employed deferred ** ● Preserved ● Pensioners

		Active		Members with Final Salary Link		Members with Preserved Benefits			Employed Deferred		Pensioners	
		Total	ECB	EPB	Total	EPB	ECB	EPB	Total	EPB		
Balance at start of year	3,115	788	788	65	2,123	1,427	674	22	139	139		
New Joiners	19	19	-	-	-	-	-	-	-	-	-	
Reinstated to active	1	1	-	(1)	-	(1)	-	-	-	-	-	
Leavers with preserved benefits	(807)	(807)	(65)	873	11	807	55	-	-	-	-	
Leavers transferred out (DB retirement)	-	-	-	(1)	-	(1)	-	-	-	-	-	
Leavers transferred out	-	-	-	(77)	(25)	(52)	-	-	-	-	-	
Deaths	-	-	-	(2)	(2)	-	-	-	(1)	(1)	-	
Retirements	-	-	-	(27)	(27)	-	-	-	30	30	-	
Status change to employed deferred	-	-	-	-	-	-	-	-	-	-	-	
Trivial commutation	(1)	(1)	-	(1)	-	(1)	-	-	(4)	(4)	-	
Opt out from Active	-	-	-	-	-	-	-	-	-	-	-	
Dependant pensioners	-	-	-	-	-	-	-	-	1	1	-	
Balance at end of year	3,052	-	-	-	2,887	1,384	1,426	77	165	165		
Pensions secured by annuity policies with Legal & General									33	33		
Revised year end balance	3,085	-	-	-	2,887	1,384	1,426	77	198	198		

* Final salary link members' benefits are based on Final Pensionable Earnings at the point of crystallisation

** Employed deferred members benefits are being revalued in accordance with the rules for deferred members

**Chair’s Statement regarding DC governance
For the year ended 31 December 2018**

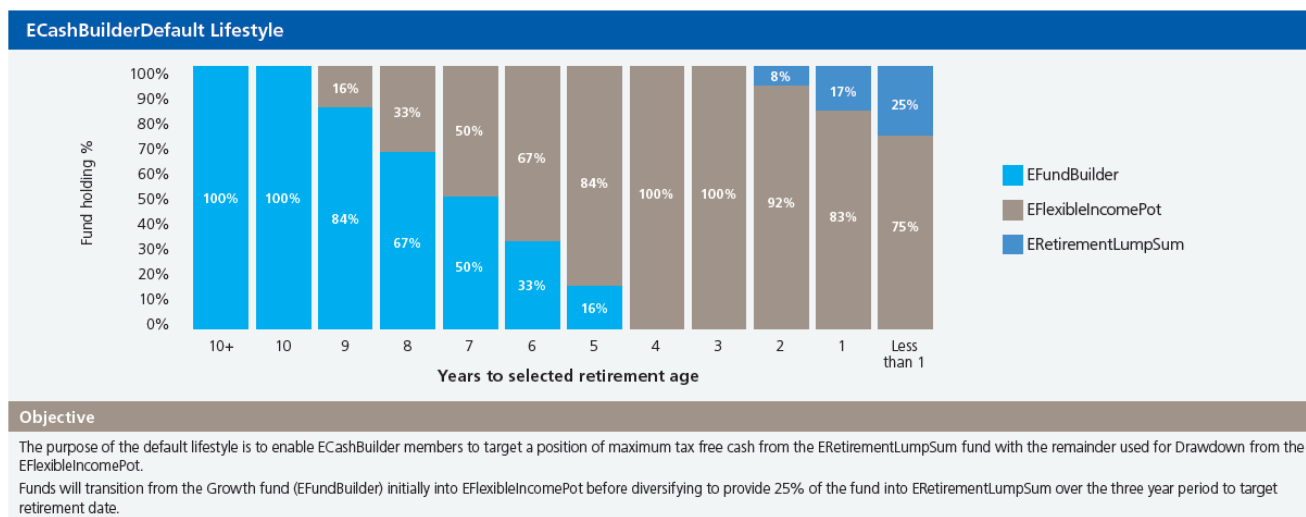
The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) require the Trustee board to include an annual statement regarding governance in the annual report.

Default arrangement

ECashBuilder was used by the employer as a qualifying scheme for auto-enrolment purposes up to 23 March 2018, when it was closed to new contributions. Prior to the closure of the scheme a lifestyle strategy was used as the default investment option.

The objectives of this lifestyle are to enable ECashBuilder members to:

- provide long term growth through dynamic exposure to a range of diversified assets. This is achieved using the EFundBuilder fund for the period more than 10 years from the members selected pension age.
- reduce volatility in the final ten years to enable members approaching retirement to make financial plans for the period after retirement. This is achieved by switching into the EFlexibleIncomePot fund over a period of 5 years and retaining a significant proportion of assets in this fund until the target retirement date.
- target a position at retirement of maximum tax free cash (25%) using the ERetirementLumpSum fund with the remaining 75% targeting drawdown using the EFlexibleIncomePot.



The trustees consider this approach to be in the best interests of relevant members and relevant beneficiaries.

The funds used in the default lifestyle strategy invest in a series of funds provided by Zurich Assurance Limited. These funds have holdings in underlying pooled funds which have many different fund managers. The trustee cannot therefore directly influence the Responsible Investment practices of the companies in which the pooled funds invest although the Trustee sets out its ethical investment policy in its Statement of Investment Principles (SIP) which includes some indirect considerations.

Some of the underlying pooled funds are managed actively and some passively. The details of these underlying funds, and the benchmarks are set out in the SIP (attached).

The default arrangement was last reviewed by the trustees in September 2015 and the changes identified at that review were implemented in January 2016. A full review of the ECashBuilder funds will take place during 2019.

Processing core financial transactions

The trustees have a specific duty to secure that core financial transactions (including the transfer of member assets into and out of the scheme, transfers between different investments within the scheme and payments to and in respect of members) relating to the DC section are processed promptly and accurately. These transactions are

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

undertaken on the trustees' behalf by the scheme's DC administrator. The administrator was Zurich Assurance Limited up to 3 April 2018 when the corporate savings business of Zurich Assurance was sold to Scottish Widows. Zurich Assurance Limited was the investment manager for the full scheme year ended 31 December 2018.

The trustees have agreed service levels with the administrator which cover the accuracy and timeliness of all core financial transactions. These are as follows:

SLA	Example process
Close of business the following day (assumes received by 9.30am)	Individual transfers in Investment redirections and switches received in writing
2 days	Selling units to meet claims (transfer, retirement, death and short service).
3 days	Payments (transfer, retirement, death and short service).
5 days	Member enquiries Fund values and illustrations received in writing Calculation of tax free cash
In accordance with legislative and regulatory requirements	Issue of retirement wake-up packs Complaints

The trustees receive quarterly reports detailing performance against the agreed timescales. All time critical processes were completed within the relevant SLA. Over the year there was a decline in performance for the manual processes with SLAs of 3 or more days. This was raised with the administrators who explained it was primarily due to:

- (i) the administration team operating with a higher than average number of vacancies following the announcement of the sale of the corporate savings business by Zurich Assurance Limited to Lloyds Banking Group,
- (ii) increasing work volumes (generally and as a result of member communications around the sale) and
- (iii) the impact of training new recruits who have been employed to address the resourcing issue.

The trustees reviewed the processes and internal controls implemented by the administration team on engagement and consider them to be suitably designed to achieve these objectives.

In light of the above, the trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations have been met.

Charges and transaction costs

The Administration Regulations require the trustees to make an assessment of charges and transaction costs borne by DC section members and the extent to which those charges and costs represent good value for money for members.

The default arrangements attract varying levels of management charge depending on how far the member is from their selected retirement age. The maximum charge that will be levied on the members is when they are invested 100% in EFlexibleIncomePot at a charge of 0.68% of assets under management for all members. However, the age profile of ECashBuilder members means that the majority of funds are currently in the growth phase of the default arrangement, EFundBuilder, with a charge of 0.551%. These charges are lower than the maximum allowed of 0.75%.

The trustees also make available a range of 12 self-select funds which may be chosen by members as an alternative to the default arrangement, in addition, members can invest in funds that makeup the default arrangement individually. These funds attract annual charges of between 0.408% and 1.42%, and the level of charges for each fund is set out on the ECashBuilder website. These funds allow members to take a more tailored approach to managing their own pension investments.

Endsleigh Insurance Services Limited Pension and Assurance Scheme
Annual report to members for the year ended 31 December 2018

Funds	Fund based charge (bps)	Fund manager charge (bps)	Total AMC (bps)	Transaction cost (bps)
EFundBuilder*	26.0	29.1	55.1	13.9
EFlexibleIncomePot*	33.0	35.0	68.0	11.5
EPensionPurchasePot	33.0	9.1	42.1	-11.9
ERetirementLumpSum*	22.0	23.8	45.8	0.2
Aquila UK Equity Index	34.0	7.8	41.8	4.6
Aquila World ex-UK Equity Index	33.0	8.5	41.5	0.3
LGIM Ethical Global Equity Index	36.0	25.0	61.0	0.5
Threadneedle Global Equity	41.0	38.0	79.0	29.1
Aquila Index-Linked Over 5 Year Gilt Index	34.0	7.9	41.9	-1.0
Threadneedle UK Corporate Bond	29.0	33.5	62.5	4.9
Zurich Deposit & Treasury	22.0	18.8	40.8	0.2
Zurich Property	20.0	60.1	80.1	41.5
Zurich Managed Fund	11.0	41.6	52.6	17.8
Zurich Mixed Investments Fund	36.0	36.9	72.9	17.0
HSBC Islamic (Sharia)	33.0	35.0	68.0	3.4
JPM All-Emerging Markets Equity	52.0	90.0	142.0	12.0

* Default Funds

Illustration of the impact of charges for default lifestyle strategy:

The table below shows the development of the projected pot size over time for a sample of ages, assuming the member is invested in the Default Lifestyle Strategy. The development of the projected pension pot depends on the member's current age as the funds change as the member approached retirement.

Years	Age Now 25		Age Now 35		Age Now 45		Age Now 55		Age Now 60	
	Before charges	After all charges + costs	Before charges	After all charges + costs	Before charges	After all charges + costs	Before charges	After all charges + costs	Before charges	After all charges + costs
1	9,250	9,190	9,250	9,190	9,250	9,190	9,230	9,160	9,020	8,950
3	9,780	9,580	9,780	9,580	9,780	9,580	9,580	9,380	9,040	8,830
5	10,300	9,990	10,300	9,990	10,300	9,990	9,770	9,420	8,990	8,650
10	11,800	11,000	11,800	11,000	11,800	11,000	9,770	9,060	-	-
15	13,600	12,300	13,600	12,300	12,900	11,600	-	-	-	-
20	15,600	13,600	15,600	13,600	12,900	11,100	-	-	-	-
25	18,000	15,100	17,000	14,300	-	-	-	-	-	-
30	20,700	16,800	17,000	13,700	-	-	-	-	-	-
35	22,500	17,600	-	-	-	-	-	-	-	-
40	22,500	16,900	-	-	-	-	-	-	-	-

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

Illustration of the impact of charges for a sample of self-select funds:

The table below shows the development of the projected pension pot over time before and after charges for members of any age assuming the pension pot is invested fully in the fund shown. The illustrations are for a representative selection of the funds members may invest in, which were selected to reflect the range of projected returns and charges.

Years	Zurich Aquila IL Over 5 Year Gilt Index CS1		Zurich Aquila World ex UK Equity Index CS1		ERetirementLumpSum		Zurich JPM All-Emerging Markets Equity CS1	
	Before charges	After all charges + costs	Before charges	After all charges + costs	Before charges	After all charges + costs	Before charges	After all charges + costs
1	8,890	8,850	9,280	9,240	8,820	8,780	9,290	9,150
3	8,670	8,560	9,880	9,760	8,480	8,360	9,910	9,460
5	8,460	8,280	10,500	10,300	8,150	7,970	10,500	9,790
10	7,960	7,630	12,300	11,800	7,390	7,060	12,400	10,600
15	7,480	7,030	14,300	13,500	6,700	6,250	14,600	11,600
20	7,040	6,470	16,800	15,400	6,080	5,540	17,100	12,600
25	6,620	5,960	19,600	17,700	5,510	4,910	20,200	13,700
30	6,220	5,490	23,000	20,300	4,990	4,350	23,700	14,900
35	5,850	5,050	26,900	23,200	4,530	3,850	27,900	16,200
40	5,500	4,650	31,400	26,600	4,100	3,410	32,800	17,700

Notes for illustrations

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 65.
3. The starting pot size is assumed to be £9,000.
4. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are made.
6. Values shown are estimates and are not guaranteed
7. For the default lifestyle strategy the projected growth rate varies over time as the funds invested in change: The table below shows the average projected growth rates for the lifestyle strategy for a sample of terms to retirement. Lifestyle approaches aim to provide a balance of growth opportunities in the early years and a degree of de-risking as you approach retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

Years to retirement	Projected growth rate (average)	
1	0.40%	Below inflation
3	0.20%	Below inflation
5	0.10%	Below inflation
10	0.80%	Above Inflation
15	1.40%	Above Inflation
20	1.80%	Above Inflation
25	2.00%	Above Inflation
30	2.10%	Above Inflation
35	2.20%	Above Inflation
40	2.30%	Above Inflation

8. For the self-select funds illustrated, the projected growth rates for each fund are:

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

- Zurich Aquila IL Over 5 Year Gilt Index CS1: 1.3% below inflation
- Zurich Aquila World ex-UK Equity Index CS1: 3.1% above inflation
- ERetirementLumpSum: 2.0% below inflation
- Zurich JPM All-Emerging Markets Equity CS1: 3.2% above inflation

9. All charges are as shown above.

10. These illustrations were prepared by Scottish Widows

In preparing this section of the Statement the Trustees have considered the DWP guidance from September 2018 titled 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes'.

Value for members

The approach taken by the trustees to assess value for members is described below and follows the four step approach suggested by tPR.

1. Gather information on what the scheme provides for members and at what cost
2. Assess the scope and quality of scheme services to members
3. Evaluate the scope and quality against the costs
4. Report on the outcomes and take action to address poor value

Method:

In order to assess whether ECashBuilder provides value for members', the trustees took the following the steps:

- Documented the scope of services provided by the scheme in the four core areas of scheme governance and management, investment, administration and communications
- Identified whether the cost of the service is met all or in part by the member
- Identified the charges and transaction costs associated with those services
- Assessed the costs for comparable services in the market
- Assessed whether the benefits provided by the scheme's services are suitable for, relevant to and valued by members.
- Assessed whether the services to members performed effectively over the scheme year
- Assessed whether the scope and quality of the services provide good value for the relevant costs and charges incurred by members
- Benchmarked against similar schemes and other options available in the market
- Used judgment to determine the extent to which the scheme's members receive good value

Member feedback was gathered through a formal focus group held in Cheltenham on 26 February 2019 (4 attendees) and supplemented by more informal feedback gathered from members during interactions with the ZPen Regional Pensions Support Team. The Trustee acknowledges that the focus group participation represents only a small proportion of the membership. The feedback received from this group has been taken into account in the assessment, and the Trustee will determine when future member feedback should be sought, and the method of doing so.

Conclusion:

Following the trustees' assessment of the services provided to ECashBuilder members against member need and performance for the year to 31 December 2018, and taking into account information from Barnett Waddingham on comparable services in the market, ECashBuilder was assessed as providing good value for members, and the following areas were noted:

- The review has highlighted investment fund charges as a particular area of focus and a full DC fund review will commence in 2019.
- ECashBuilder members benefit from good governance with a strong trustee board and the support of a dedicated in-house pensions team. There is a comprehensive risk management framework in place and effective monitoring of the administration service and investment performance.

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

- The default investment strategy takes into consideration the membership profile and the propensity to accept investment risk. The wider fund range is in line with the market, both in terms of the number of funds and asset classes covered. However, the fund charges have been assessed by Barnett Waddingham as being higher than in some other arrangements. In addition, some of the funds have underperformed against their benchmarks.
- Members benefit from an effective administration service and there has been a low number of complaints. Performance against service levels for time critical processes was good. Performance for individual transactions was impacted by the announcement of the sale of the corporate savings business by Zurich Assurance Limited to Lloyds Banking Group – the Trustee received regular updates from their Client Relationship Manager and understands the reasons for the poor service and the actions taken to rectify this.
- Member communication channels are considered effective and the pension freedoms offering is comparable to that offered by other schemes in the market. There is a good website with modeling tools and substantial information. Value is added through the provision of newsletters and newsflashes, although more segmented and targeted communication is desirable.

Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7. The comments in this section relate to the trustee's management of the whole scheme and are not restricted to the ECashBuilder section.

The new trustees during the scheme year to 31 December 2018, Phil Agg, Tim Grant and Greg Wenzerul, fulfilled the trustee's policy on knowledge and understanding by:

- attending an internal induction session, run by senior members of the ZPen team, which included scheme specific training; and
- completing the Pension Regulator's trustee toolkit within six months of appointment.

The trustees have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments:

- all aim to complete a minimum of 15 hours of CPD annually;
- all carry out a self-assessment of training needs, usually annually, following which individual discussions with the Chair and the Head of UK Pensions take place to identify any additional training needs;
- all the trustees have successfully completed the Pension Regulator's Trustee Toolkit, which they are required to do within six months of their appointment;
- as part of undertaking regular trustee business, the trustees have a working knowledge of the Trust Deed and Rules, the SIP, the trustees policies, the law relating to pensions and trusts, and the relevant principles relating to funding and investment;
- individual training is arranged as appropriate, either internally or using an external provider;
- training is provided at trustee meetings where required, for example prior to discussion of a particular topic. During the year this included training on the trustees responsibilities in relation to the closure of the scheme to new contributions, GDPR and GMP reconciliation and equalisation;
- an annual training day is held where the trustees receive presentations and take part in workshops. In May 2018 this covered an ESG focus group, a DC deep dive and sessions on Liability Driven Investment, and liability management and member choices;
- In addition, the trustees receive advice from professional advisors, and the relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisors.

Every three years the Trustee board undertakes a Board Effectiveness Review (BER) to identify areas where the board as a whole requires improvement. Trustees, senior members of the ZPen team and external advisers take part in the BER to provide feedback and opinions. The last BER was conducted in 2016 with the next one due in 2019.

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

In addition, the trustees have access to a secure website where scheme documents, trustee documented procedures and other useful information, including contact information, meeting agendas and minutes are stored. This enables the trustees to have quick access to the most up to date information relating to the EPen scheme.

The trustees consider that their combined knowledge and understanding, together with the available advice and documentation, enables them to properly exercise their functions.

ECashBuilder governance

As Trustee of the Endsleigh Insurance Services Limited Pension and Assurance Scheme we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's:

- Code of Practice 13: Governance and Administration of occupational defined contribution trust-based schemes, and;
- Regulatory guidance for defined contribution schemes

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance, which we believe will help deliver better outcomes for members at retirement.

The Chair's Statement was approved by the trustees on 26 June 2019 and signed on their behalf by:



Clive Gilchrist
Chairman

Scheme funding

Actuarial Liabilities – EPensionBuilder

As required by Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

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. Technical provisions are the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, a copy of which is available to scheme members on request.

Funding policy

The Trustee board are responsible for making sure there is enough money in EPensionBuilder to pay the benefits as they fall due. So, the Trustee board need to:

- estimate how much the benefits are going to cost (the pension scheme ‘liabilities’), and
- have an investment strategy which ensures that the pension scheme is in good shape to meet the benefit costs as they arise.

The Trustee board and the company have agreed a funding policy for EPensionBuilder and this is summarised in the Statement of Funding Principles. The scheme actuary prepares this statement after the Trustee board and the company have examined all the relevant factors, such as:

- the return on investments (including an estimate of what these will be in the future),
- how the liabilities are likely to be affected by pay rises, pension increases and how long pensioners are expected to live after retirement.

The ongoing funding of EPensionBuilder is closely monitored by the Trustee board.

Actuarial valuation

At least once every three years the Trustee board ask the scheme actuary to carry out a valuation to assess the financial position of EPensionBuilder. This is to determine the current financial position of EPensionBuilder based on all benefits earned.

Previously, it would also have been necessary to establish the cost of providing benefits built up in the future but since the scheme closed to future accrual on 31 December 2015, this is no longer required. There are several steps in the valuation process:

Step 1: determining the value of benefits earned to date (“technical provisions”)

The actuary calculates the value at the valuation date of all benefits earned for all EPensionBuilder members, including those who have preserved benefits² and those who have actually retired.

In making her calculations, the actuary makes assumptions about things like return on investments, inflation in the future and how long members are expected to live. These assumptions are agreed by the Trustee board and the company having taken advice from the actuary.

These calculations produce the scheme’s “technical provisions” and the actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Step 2: determining the funding level

The actuary compares the technical provisions with the value of the EPensionBuilder fund. If the fund is worth more than the value of the benefits earned so far, EPensionBuilder is said to be in “surplus”. If the reverse applies, it is said to be in “deficit”. This is sometimes called the ‘funding level’.

The method of calculation of a “surplus” or “deficit” does not necessarily mean that there is too much cash (or a cash shortfall) in the fund. The valuation is essentially a “snapshot” in time taking account of the various factors described above. The true position depends on whether the assumptions made are borne out in practice.

Step 3: agreeing a recovery plan

If there is a shortfall against the technical provisions, the Trustee and the company agree a level of contributions needed to make good this deficit. This is called a “recovery plan”.

Significant actuarial assumptions

Inflation and pension increases

By looking at the cost of investing in UK government bonds with payments linked to inflation compared to the cost of investing in UK government bonds not linked to inflation, it is possible to arrive at a figure for the average market view of future Retail Price Index (RPI) inflation at different future terms. This will then be compared to the latest Treasury targets for CPI inflation in the UK, and other relevant information such as inflation swap pricing, when deriving the assumption to use.

² Members have preserved benefits if they have left the scheme but have not yet reached retirement age.

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

The Trustee then derives an assumption for Consumer Price Index (CPI) inflation by determining an appropriate gap between RPI inflation and CPI inflation.

Assumptions for future pension increases which are linked to inflation will be set with reference to the relevant inflation assumption, adjusted to take account of any minimum and maximum increases that apply.

Discount rate

The discount rate will normally be determined by the Trustee based on professional advice, taking into account relevant market indicators at the valuation date, the scheme's long-term strategic asset allocation, the liability profile of the scheme, and the perceived strength of the Employer covenant.

As a proportion of the scheme's assets are invested in assets which would be expected to outperform UK government bonds over the long term, an allowance may be made for this in the discount rate, depending on the perceived strength of the Employer covenant. However, if the Trustee has material concerns over the strength of the Employer covenant, the discount rate may need to be determined looking solely at the yield available on gilts and other low risk asset classes.

Retirement

Members will be assumed to retire at the earliest age at which they can take each tranche of their benefit without an actuarial reduction applying.

Member options

An allowance will be made for members to take part of their final salary pension benefits as a lump sum at retirement, taking into account that members can use their ECashBuilder retirement account to fund some or all of their cash sum at retirement.

Mortality

The rates of mortality assumed will reflect information published by the Continuous Mortality Investigation of the Actuarial Profession deemed most relevant to the membership of the scheme, including an appropriate allowance for expected future improvements in longevity. This assumption will also reflect any available evidence relating to the actual mortality experience of the Scheme or similar schemes, as well as any other factors considered relevant.

Dependant details

Assumptions regarding the proportion of members with a dependant at death, and the age difference between the member and the dependant, will be set taking into account professional advice and the experience of the scheme or similar schemes.

Expenses

No allowance is made for the expenses of running the scheme or the annual levy payable to the Pension Protection Fund. These are paid by the Employer.

The key assumptions used as at 31 December 2017 were as follows:

Key Financial Assumptions/Data as at 31 December 2017	
Discount rate	Market implied gilt yield curve plus 1.15% pa
Price inflation – RPI	Market implied inflation curve less 0.1% pa
Price inflation – CPI	RPI less 0.8% pa
Pension increases: – RPI with a minimum of 3% and a maximum of 5% – RPI with a maximum of 5% – RPI with a maximum of 2.5%	Based on the inflation curve with relevant caps applied each year
Mortality Table	<ul style="list-style-type: none"> • 100% PNMA00 for males • 120% PNFA00 for females with tapering to 100% between ages 95 and 105

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

GMP Equalisation

An approximate allowance for the impact on the liabilities of equalising member's GMPs of £1.0m was made when calculating the technical provisions based on summarised membership data as at 31 December 2017.

The estimate is calculated on the actuarial value method to compare the estimated value of benefits calculated on a male GMP basis with those calculated on a female basis. If the opposite sex value is higher than the actual sex value the difference represents an estimate of the additional liability to the Scheme.

Funding position

The most recent full completed actuarial valuation of EPensionBuilder was carried out as at 31 December 2017 and approved on 25 March 2019.

The valuation indicated that EPensionBuilder has a deficit. The Trustee and company have agreed a recovery plan to meet this shortfall.

Recovery Plan

Following the 2017 valuation a recovery plan was agreed between the Trustee and the company to fund the shortfall of £55.4m.

A contribution of £0.4m was paid by the Employer on 14 March 2019.

Contributions of £6.5m will be paid by the Employer annually on 30 June each year (starting from 30 June 2019 and ceasing on 30 June 2025). The final contribution payable on 30 June 2026 will be £8.9m.

Annual Actuarial Report

A full scheme valuation is conducted every three years. In the intervening years the Trustee board obtain an annual funding update. The estimated funding position as at 31 December 2018 will be prepared in Q2 2019 and the results will be made available to members via the trustee newsletter.

A summary of the funding position at the 31 December 2017 full valuation, and the 31 December 2016 and 31 December 2015 annual updates is shown below.

	31 December 2015 £ million	31 December 2016 £ million	31 December 2017 £ million
Assets	137.1	167.2	175.4
Liabilities (Technical provisions)	174.4	235.0	230.8
Shortfall	37.3	67.8	55.4
Funding level	79%	71%	76%

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

Actuarial certificate

A copy of the actuary's full report on the valuation at 31 December 2017 is available on request from the scheme secretary (see contact details on [page 8](#)).

By law, the statement from the scheme actuary below and on page 50 must be included in this annual report. The wording complies with guidelines issued by the Institute and Faculty of Actuaries.

The next full valuation for EPensionBuilder is due as at 31 December 2020.

Endsleigh Insurance Services Limited Pension and Assurance Scheme

Certification of the calculation of Technical Provisions

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 31 December 2017 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 25 March 2019

Signature:		Date:	25/3/19
Name:	Susanna Morran	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	St James's House St James's Square Cheltenham Gloucestershire GL50 3PR	Employer:	Barnett Waddingham LLP

Investment report

Investment management

The Trustee board are responsible for setting the investment strategies for the EPensionBuilder and ECashBuilder sections of the scheme, which are described in more detail below. The Trustee board set the investment strategy after taking advice from the scheme's investment advisor.

The Trustee board are also responsible for determining what should be in the statement of investment principles ("SIP"). This is an important document which sets out the overarching philosophy underlying the Trustee's strategic approach; this can be requested by members. There were no departures from the SIP in the year.

Management and Custody of Investments

The Trustee board has delegated management of investments to professional investment managers which are listed on [page 7](#). These managers, which are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments within the restrictions set out in investment management agreements which are designed to ensure that the objectives and policies set out in the SIP are followed.

Custodial arrangements

The Trustee board has invested in a unit linked policy with Legal & General Assurance (Pensions Management) Limited (PMC) and a pooled fund arrangement with Insight LDI Solutions Plus plc and has not, therefore, appointed separate custodians. L&G and Insight appoint custodians for the safe custody of assets held within the policy. The two custodians PMC has appointed are HSBC and Citibank, whilst Insight has appointed Northern Trust.

Voting rights

As the scheme invests in pooled funds, the day to day decisions, including the exercise of voting rights have been delegated to the investment manager.

Responsible Investment

As a part of investors' fiduciary duty, whenever possible, the Trustee board will prefer to incorporate environmental, social and governance (ESG) factors into the investment approach. More details on our approach to responsible investment is available in the SIP.

As the scheme invests in pooled funds, the Trustee cannot directly influence the ESG policies and practices of companies in which the pooled funds invest. However, the Trustee board recognise that the

investment manager takes into account ESG factors through the use of its shareholder influence.

EPensionBuilder

The investment objective for EPensionBuilder is to invest in assets of appropriate quality and liquidity which will generate income and capital growth to meet the cost of current and future benefits which the scheme provides.

The Trustee board regularly reviews the performance of the investment manager, who invests in a diverse portfolio to optimise returns, without exposure to excessive risk.

Since January 2009 the Trustee board has taken a number of steps to reduce holdings of equity and increase holdings of bonds. This was completed in early 2011, so as to maintain as far as possible the split of 32% equities (+/- 5%) and 68% bonds (+/- 5%). This decision was taken to protect the fund from the risks associated with uncertain equity markets in the current economic climate.

During 2013 the Trustee board commenced a full investment strategy review to address ways of reducing risk. In December 2013, the Trustee board agreed an initial step to transfer 23% of the scheme assets held in shorter dated bonds into a long dated bonds fund, to more closely match the liability to pay pensions into the future and help reduce interest rate risk. The transfer was completed during March 2014. This was the first step of an on-going strategy.

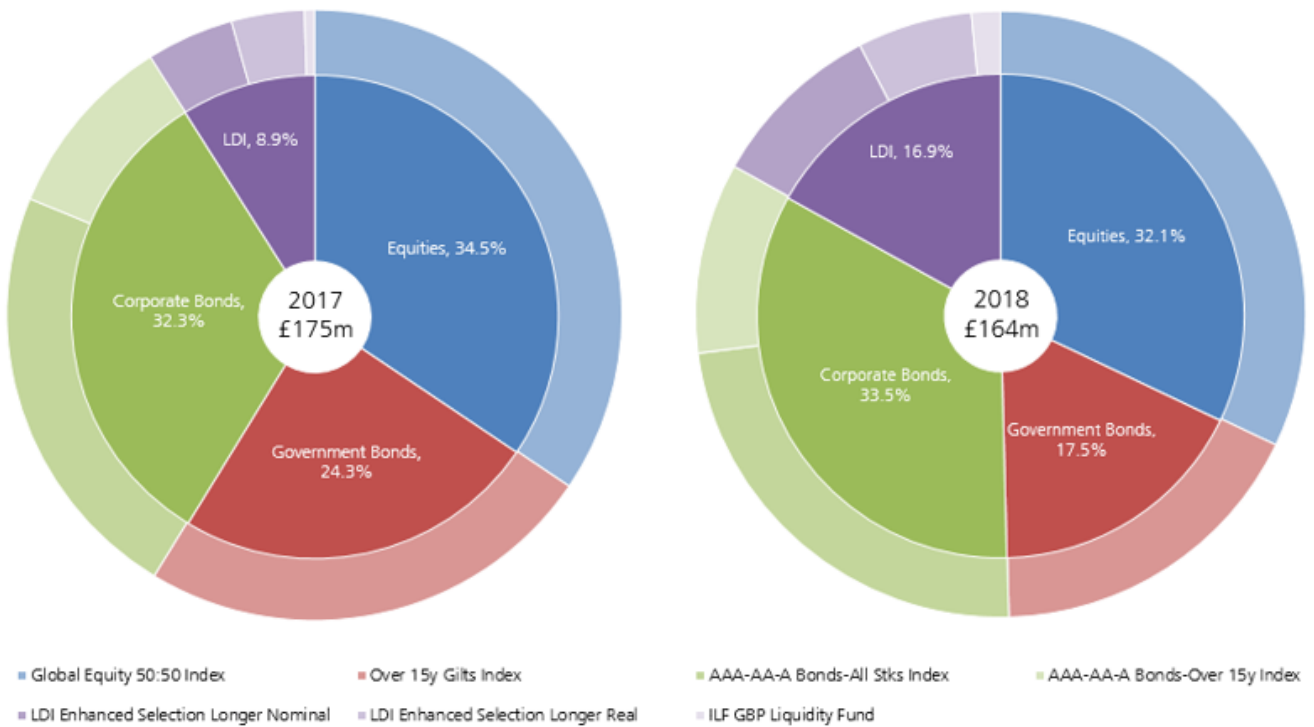
Since 2014 the Trustee board has used Liability Driven Investments (LDI) to reduce risk. LDI is designed to reduce the volatility of the scheme's funding level by minimising the impact of movements in factors such as interest rates and inflation that affect the value of the scheme's assets and liabilities. The Trustee board made their first allocation to the LDI funds in July 2015. A trigger was set by the Trustee board to make additional investment into the funds, but this has not been met since.

In 2017 the Trustee board agreed a three year plan to re-balance investments to address low hedging ratios and the scheme's exposures to interest rate and inflation risks. It involves a gradual increase of the LDI allocation while maintaining exposure to the growth assets. The first re-balancing was done in October 2017 to agree to the Q3 2017 target allocation. The scheme continues to re-balance on a quarterly basis, with the last set of trades going through in December 2018 to align with the Q4 2018 strategic asset allocation.

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

EPensionBuilder investments

At the scheme year end the assets were invested as follows:



EPensionBuilder investment performance

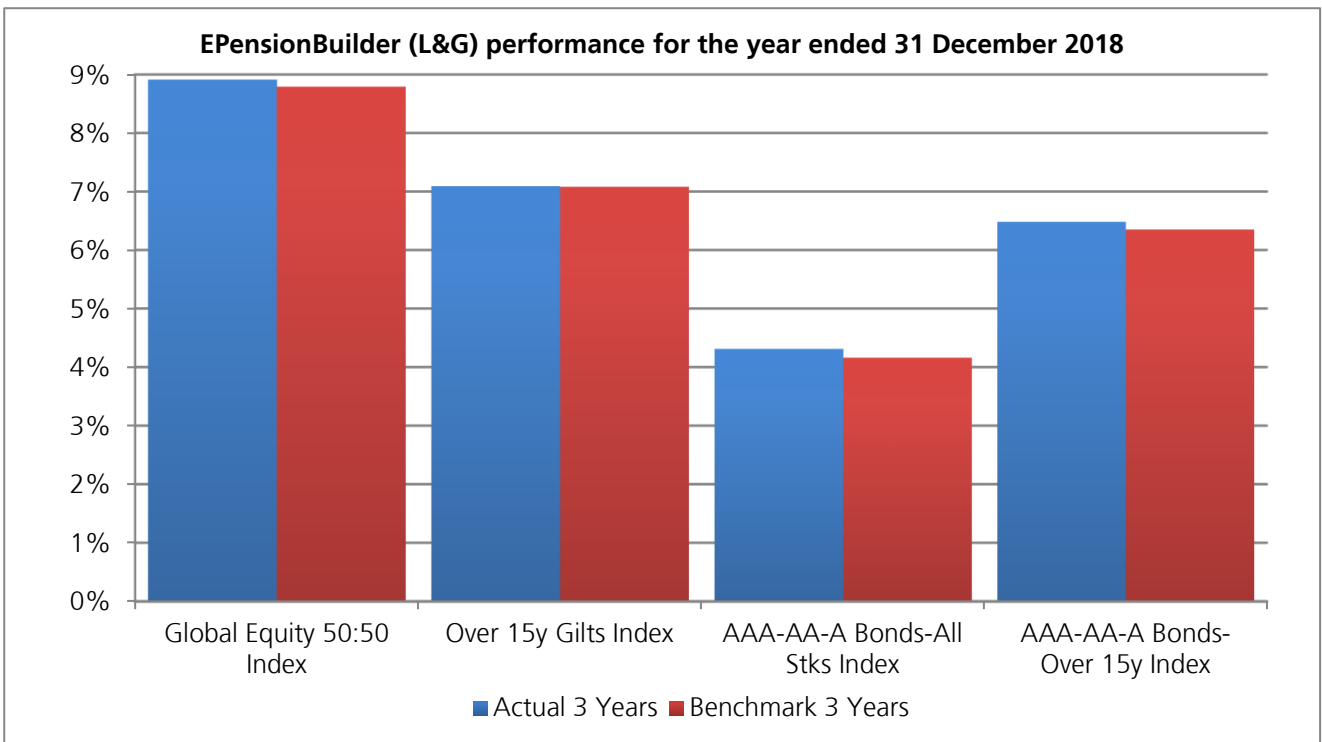
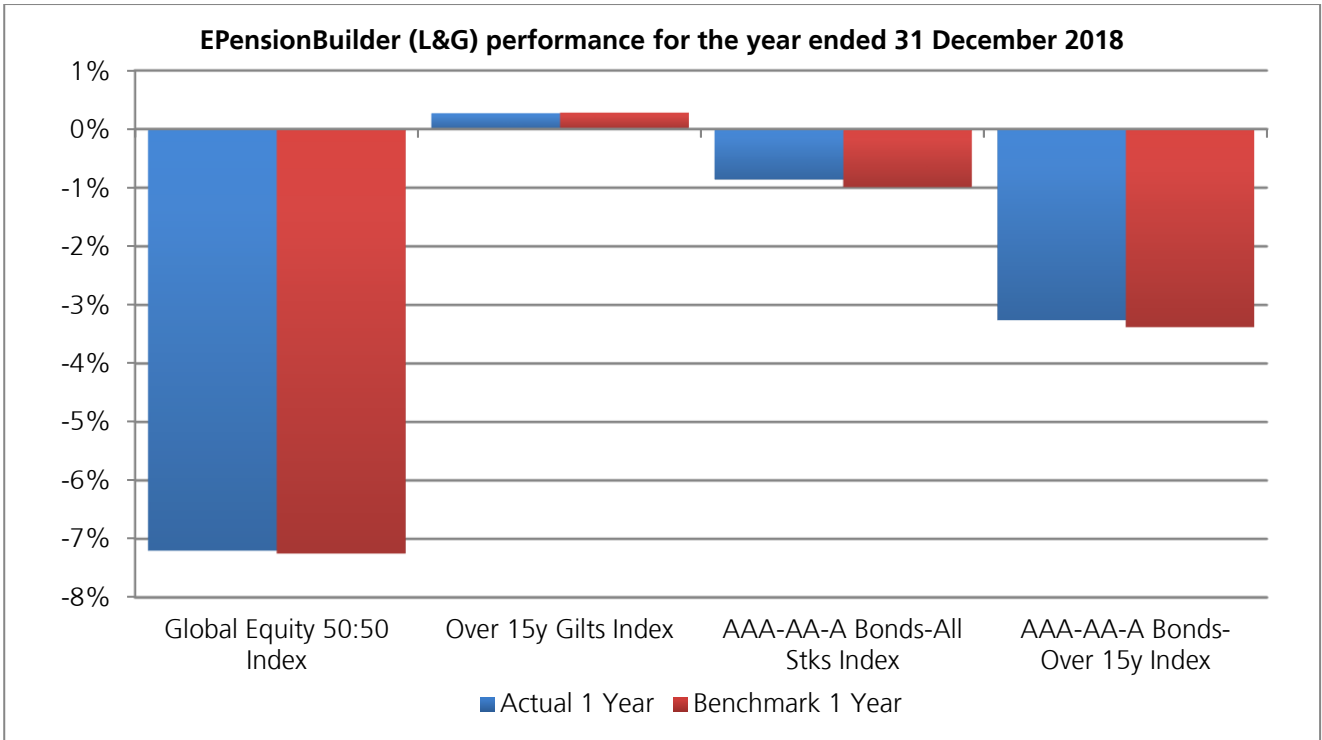
The fund is divided into an equity fund which is designed to provide investment growth over a long period, and bonds, which are designed to back up and move with the scheme’s liabilities to give protection to the scheme’s overall funding position. The bond part of the portfolio is invested in a mixture of UK government fixed interest gilts, UK corporate bonds and the LDI Funds.

The investments in equities, corporate & government bonds are managed by L&G and are passively managed against the relevant index; this means that the manager ensures that the spread of investments in the fund reflects the relevant market index movements.

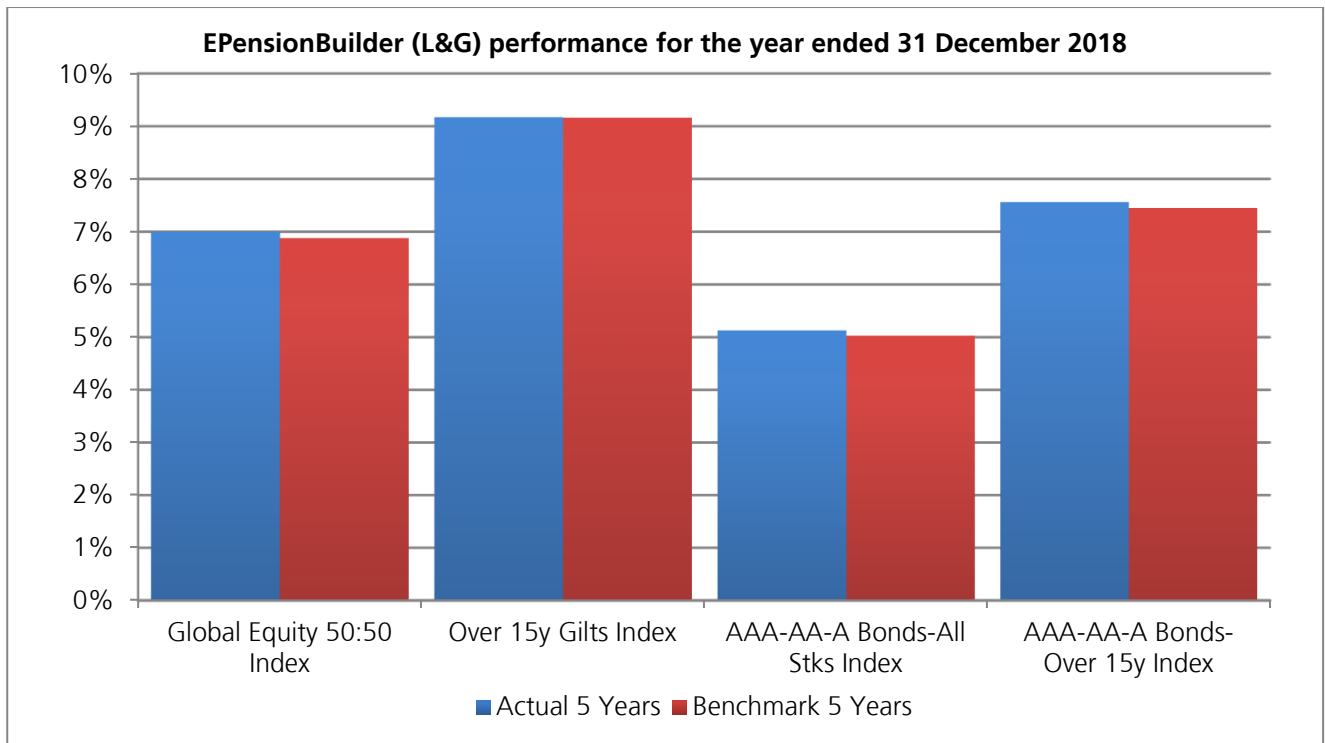
The LDI investment portfolio is managed by Insight and is managed against two benchmarks, recognising that the manager can allocate investment between gilts and swaps.

The performance of the funds against the benchmark over the year is shown below.

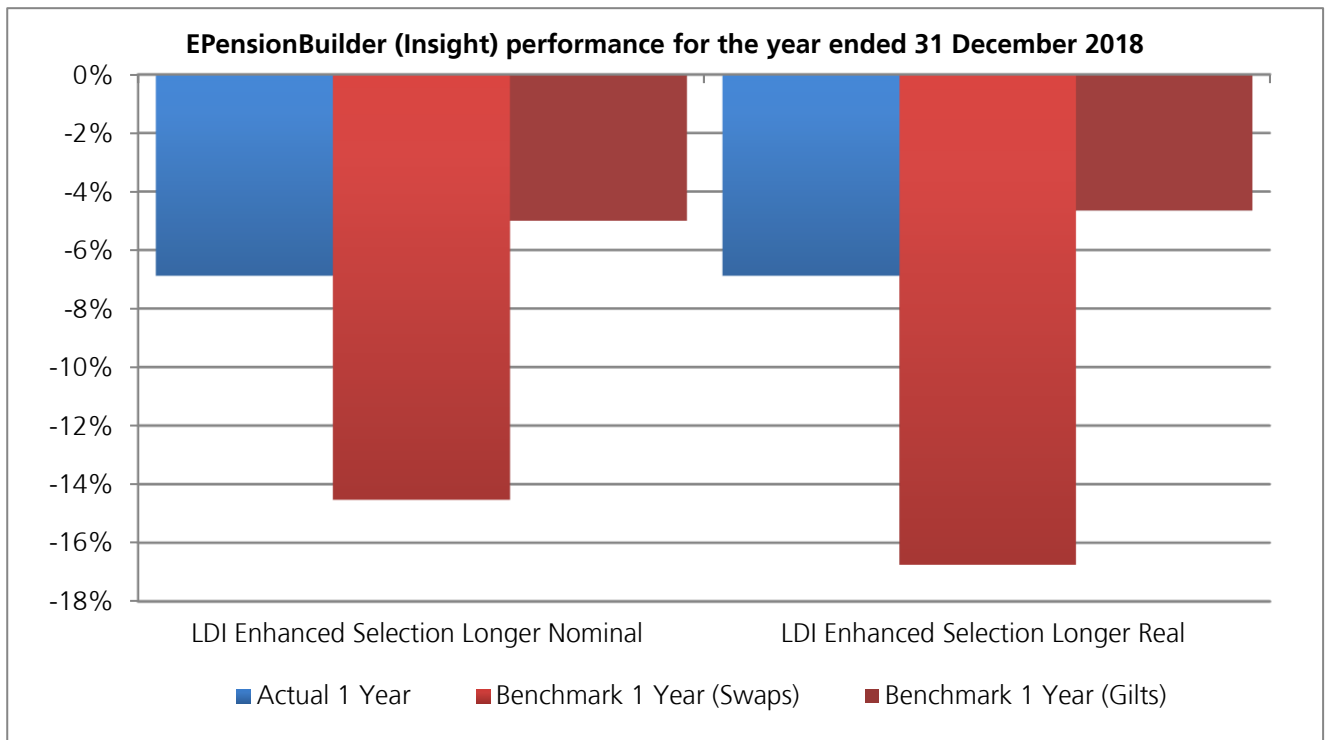
Endsleigh Insurance Services Limited Pension and Assurance Scheme
Annual report to members for the year ended 31 December 2018



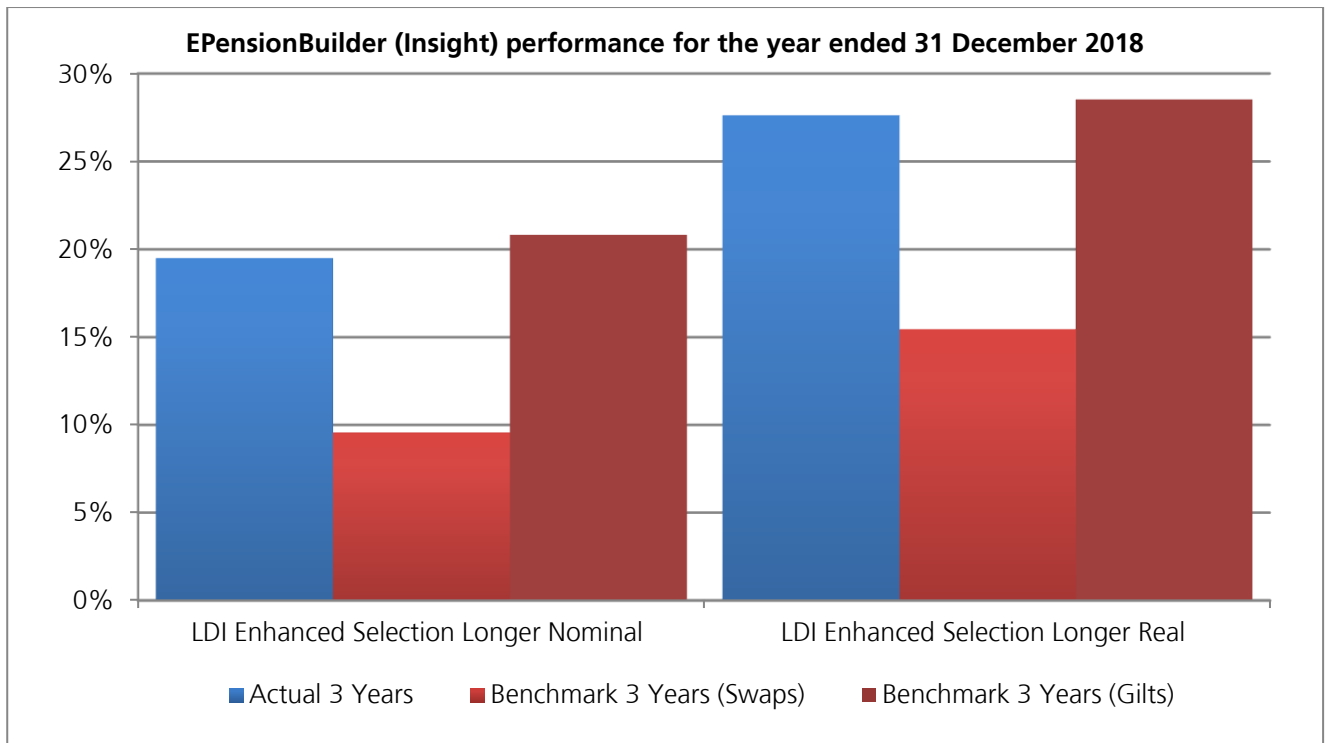
Endsleigh Insurance Services Limited Pension and Assurance Scheme
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Charges are met by the employer through a quarterly invoice issued by Legal and General Assurance (Pensions Management) Limited.



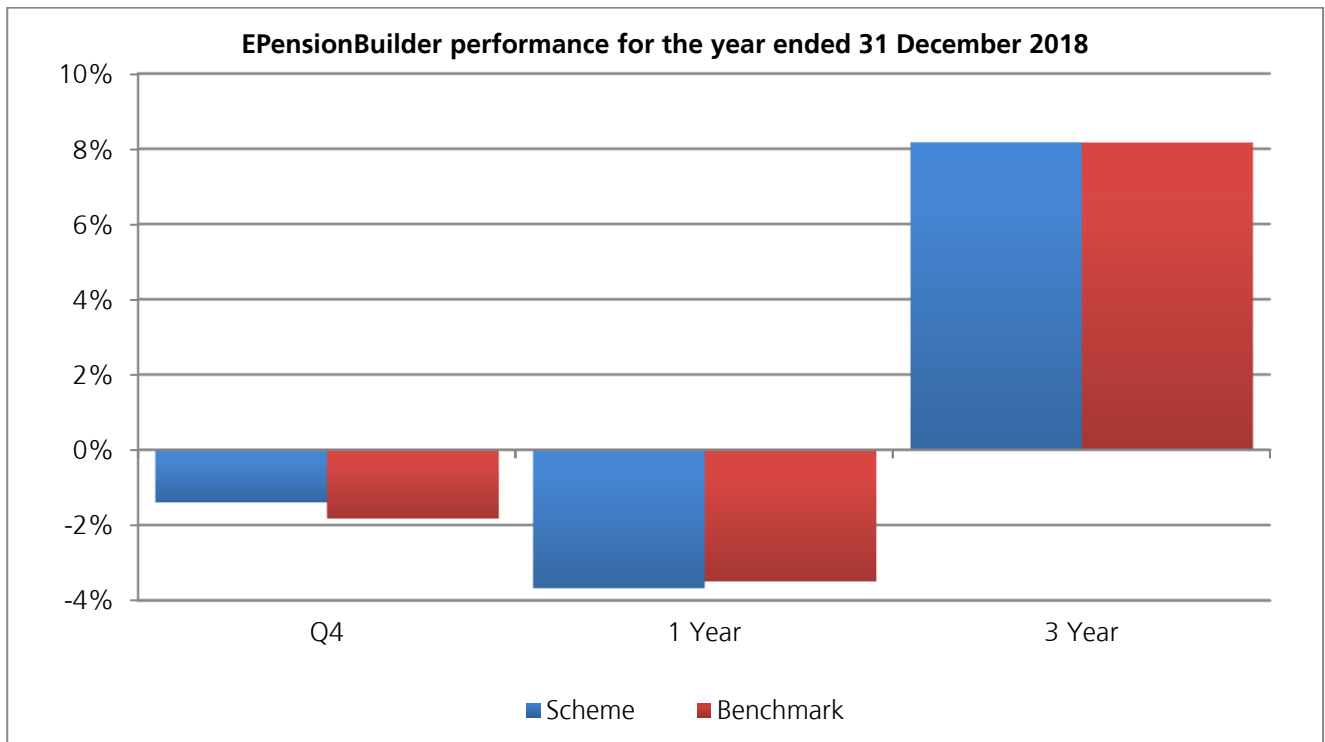
**Endsleigh Insurance Services Limited Pension and Assurance Scheme
Annual report to members for the year ended 31 December 2018**



Five year performance is not available for the Insight funds as they were launched in 2013. The scheme's investment commenced in 2015.

Charges are met by the scheme through a deduction of assets from the fund at an agreed basis point charge.

The Insight LDI Enhanced Selection Funds are designed to track the liability cash flows of a typical pension scheme, rather than the Endsleigh scheme specifically. Their performance is measured against a swaps comparator and a gilt comparator, due to the fact that the manager has discretion over mainly investing in gilts and swaps. Over time, we will look for the actual performance to be above both benchmarks.



Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

ECashBuilder

The Trustee board are responsible for providing members of ECashBuilder with an appropriate range of investment options. They are designed to generate income and capital growth on the contributions paid in which will provide a retirement amount with which the member can select their retirement options.

Members have a number of investment options including a default investment strategy, additional lifestyle strategies and self-select funds.

All of the scheme's lifestyles operate in the same way by de-risking at regular intervals over a period of 10 years leading up to the member's chosen retirement age.

There are four available lifestyles:

Lifestyle Name	Objective	Lifestyle Target
ECashBuilder Default Lifestyle	The lifestyle aims to transition from 100% investment in the Growth Fund (EFundBuilder) to 75% investment in the Drawdown Fund (EFlexibleIncomePot) and 25% investment in Cash Fund (ERetirementLumpSum). The purpose of the default lifestyle is to enable ECashBuilder members to target a position of maximum tax free cash from the ERetirementLumpSum fund with the remainder used for Drawdown from the EFlexibleIncomePot.	Cash and Drawdown
Drawdown Lifestyle	The lifestyle aims to transition from 100% investment in the Growth Fund (EFundBuilder) to 100% investment in the Drawdown Fund (EFlexibleIncomePot). Investment is gradually moved into the Drawdown Fund which is designed to grow above inflation but also provide some capital protection.	Drawdown
Annuity Lifestyle	The lifestyle aims to transition from 100% investment in the Growth Fund (EFundBuilder) to 100% investment in the Annuity Purchase Fund (EPensionPurchasePot). Investment is gradually moved into the Annuity Purchase Fund via a 'temporary buffer' which is designed to obtain some growth over the intervening period.	Annuity
Cash Lifestyle	The lifestyle aims to transition from 100% investment in the Growth Fund (EFundBuilder) in a way that enables continued equity growth in the 10 years prior to the members Target Lifestyle Age, whilst also fostering capital protection. This balance is achieved via use of investment in a 'temporary buffer' i.e. EFlexibleIncomePot.	Cash

There are four funds used in the above lifestyles, each designed to achieve a different objective.

Fund Name	Objective	Fund Linked to
EFundBuilder	The fund aims to achieve long-term growth by investing globally in a range of different investments including for example, company shares and UK commercial property.	Growth
EPensionPurchasePot	The fund aims to achieve returns linked to the bond markets that reflect, to some extent, movements in the price of annuities.	Annuity
ERetirementLumpSum	The fund aims to provide a high level of capital security coupled with a high level of liquidity.	Cash
EFlexibleIncomePot	The fund aims to provide long term investment growth through dynamic exposure to a diversified range of assets.	Drawdown

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

ECashBuilder investments

At the scheme year end the assets were invested as follows:

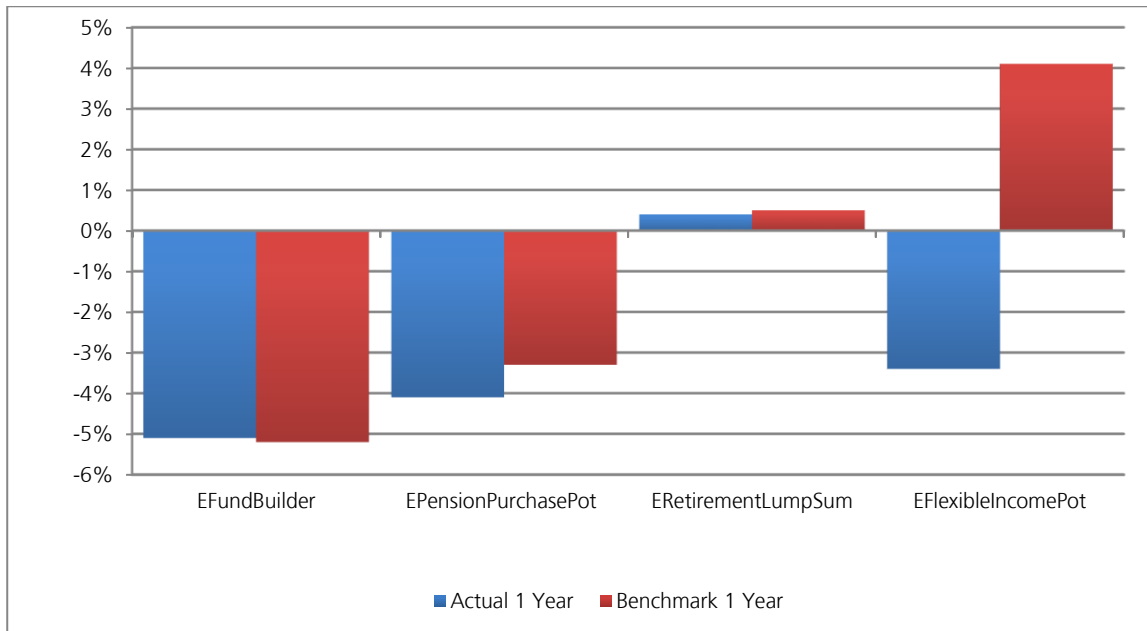
Fund	Value, £'000s	Percentage, %
Blended Funds	16,617	96.33%
EFundBuilder *	16,059	93.09%
EPensionPurchasePot *	1	0.01%
ERetirementLumpSum *	39	0.23%
EFlexibleIncomePot *	518	3.00%
Self-Select Funds	633	3.67%
Zurich Aquila Index-Linked Over 5 Year Gilt Index	19	0.11%
Zurich Aquila UK Equity Index	97	0.56%
Zurich Aquila World ex UK Equity Index	266	1.54%
Zurich Threadneedle Global Equity	63	0.37%
Zurich Managed	83	0.48%
Zurich Property	12	0.07%
Zurich Threadneedle UK Corporate Bond	46	0.27%
Zurich JPM All-Emerging Markets Equity	43	0.25%
Endsleigh HSBC Islamic (was Amanah)	2	0.01%
Endsleigh L&G Ethical Global Equity Index	2	0.01%
Zurich Deposit and Treasury	0	0.00%
Endsleigh Mixed Investments	0	0.00%
Total	17,250	100.00%

* also available as a self-select fund

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

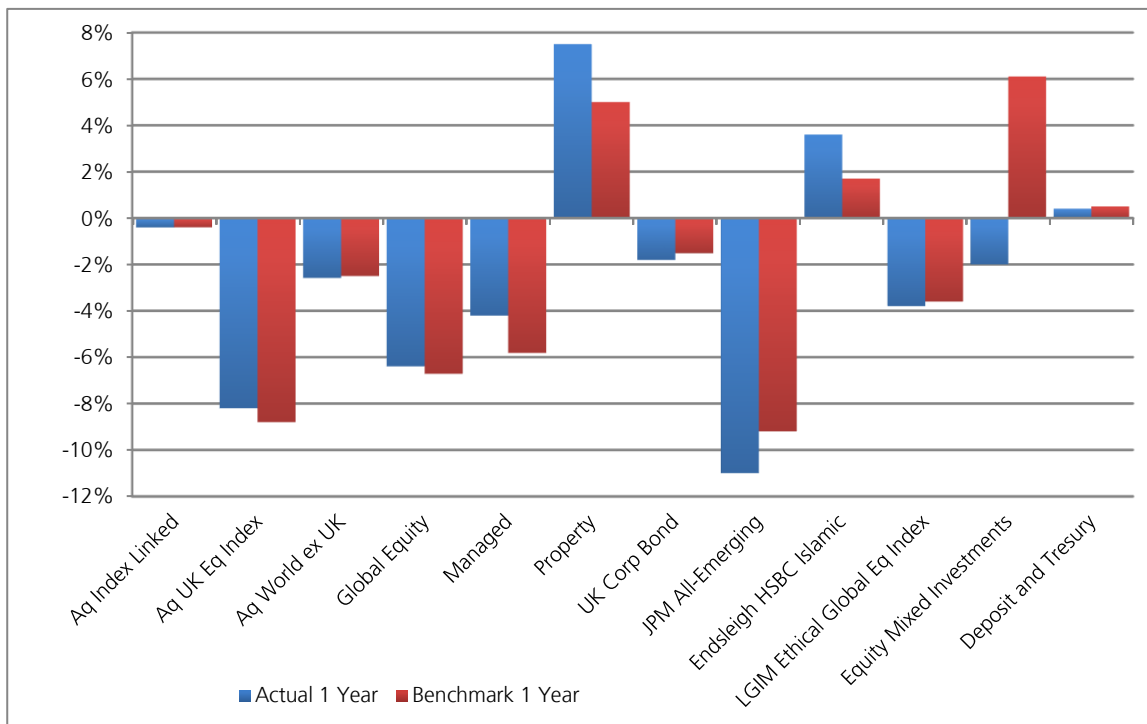
ECashBuilder investment performance for the year ended 31 December 2018

The investment performance of the blended funds against the composite benchmark for the year is shown below.



Funds which underperform are subject to fund governance which includes remedial action if underperformance is seen over a number of periods. None of the lifestyle funds above are currently underperforming the remedial action criteria. The EFlexibleIncomePot fund is exempt from the standard remedial actions process and the Trustee board is monitoring the performance of this fund separately.

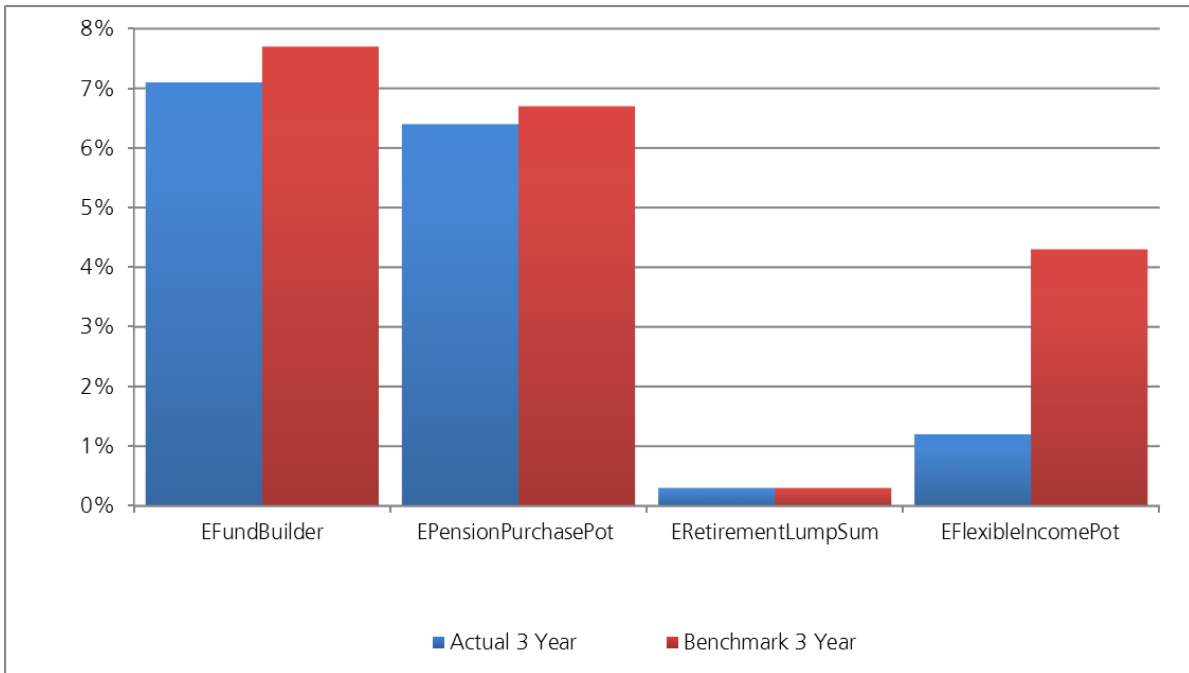
The investment performance of the self-select funds against the benchmark for the current year is shown below.



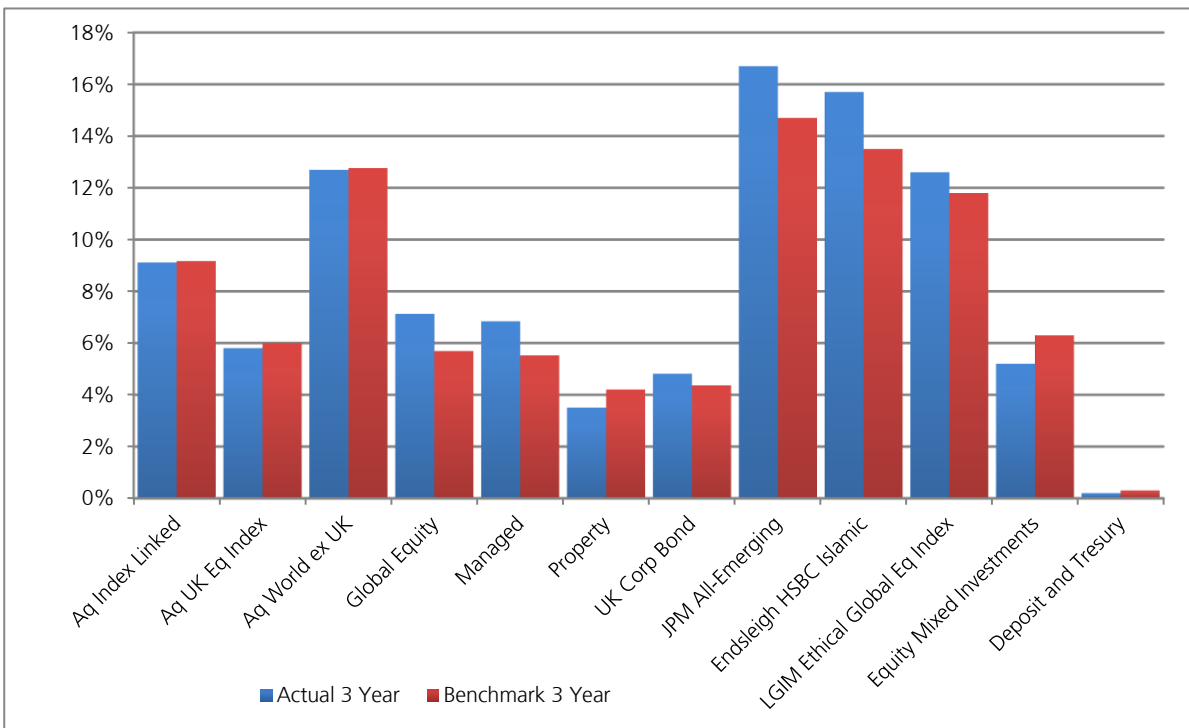
The Property & UK Corporate Bond funds have been flagged by the remedial actions process and are being monitored in-line with the standard fund governance procedures. The Trustee board is monitoring the performance of these funds.

ECashBuilder investment performance for the 3 years ended 31 December 2018

The investment performance of the blended funds against the composite benchmark for three years, are shown below.



The investment performance of the self-select funds against benchmark for three years, are shown below.



Management charges for this policy are met by the members of the scheme by a way of deduction of member units and by unit price deductions on investments with Zurich Assurance Ltd.

Looking ahead

This report brings you highlights from the scheme year, but it doesn't end there of course. The Trustee board continues to monitor the scheme's investments to ensure that the chosen investment strategy for the two sections remains appropriate. These are undeniably difficult times in investment markets and the picture can change almost overnight. However, the Trustee continues to believe that over the long term the overall investment strategy is sound. The Trustee board is currently reviewing the statement of investment principles to capture the scheme's commitment to ESG and comply with the new DWP regulations, coming into effect on 1 October 2019.

In 2019 the Trustee board will commence a detailed review of the ECashBuilder fund range, including a full review of the current default strategy. Once this has been finalised we will let you know the outcome.

Brexit

Brexit will continue to be a discussion point, the risks connected with the UK exiting the EU are noted by the Trustee, and they are mindful of the potential impacts for the Scheme.

High Court judgment about equalising guaranteed minimum pensions

The Trustee of some of the Lloyds Banking Group pension schemes started proceedings in the High Court in May 2017 in relation to the complex issue of Guaranteed Minimum Pension (GMP) equalisation. The law has not been clear about whether GMPs should be equalised (so that male and female members are treated the same), or how it might be done and the High Court was asked to clarify the situation.

On 26 October 2018, the High Court made its initial decision and decided that all benefits, including

GMPs, built up between 17 May 1990 and 5 April 1997 should be equalised for male and female members. The outcome of this judgment affects EPensionBuilder benefits built up between these dates, plus any GMP built up in other schemes between these dates that has been transferred into EPensionBuilder.

The Trustee of the Scheme is aware that the issue will affect the Scheme and will be considering this at a future meeting before agreeing next steps.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Statement of investment principles

The Trustee has drawn up a statement of investment principles (SIP) in accordance with section 35 of the Pensions Act 1995, following consultation with the company and the investment consultant. The SIP governs decisions about scheme investments, and is currently being reviewed to comply with the most recent DWP regulatory changes. A copy of the SIP is available on pages 50 – 58.

The Trustee board approves pages 5 – 35 and the disclosures on pages 12-13 and are signed on behalf of the Trustee board.

Director *Clive Gilchrist*

NamesClive Gilchrist.....

Date26/06/2019.....

Independent auditors' report to the trustee of the Endsleigh Insurance Services Limited Pension and Assurance Report on the audit of the financial statements

Opinion

In our opinion, Endsleigh Insurance Services Limited Pension and Assurance Scheme's financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 December 2018, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included in the annual report, which comprise: the statement of net assets available for benefits as at 31 December 2018; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the scheme's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the scheme and the wider economy.

Reporting on other information

The other information comprises all the information in the annual report other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The trustee is responsible for the other information. 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 thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit.

Responsibilities of the trustee for the financial statements

As explained more fully in the statement of trustee's responsibilities, the trustee is responsible for ensuring that the financial statements are prepared and for being satisfied that they show a true and fair view. The trustee is also responsible for such internal

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

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.

In the preparation of the financial statements, the trustee is responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to wind up the scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
Date 26/06/2019

Endsleigh Insurance Services Limited Pension and Assurance Scheme

Annual report to members for the year ended 31 December 2018

Financial statements

Fund account for the year ended 31 December 2018

£000s	Note	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Contributions and benefits							
Employer contribution		5,023	736	5,759	4,836	3,395	8,231
Employee contributions		-	20	20	-	98	98
Total Contributions	4	5,023	756	5,779	4,836	3,493	8,329
Transfers from other plans	5	-	-	-	-	58	58
Other Income	6	12	9	21	158	-	158
		5,035	765	5,800	4,994	3,551	8,545
Benefits	7	(2,680)	-	(2,680)	(3,301)	(7)	(3,308)
Transfers to other plans	8	(7,716)	(1,669)	(9,385)	(6,118)	(776)	(6,894)
Other payments	9	(34)	(27)	(61)	(309)	(108)	(417)
		(10,430)	(1,696)	(12,126)	(9,728)	(891)	(10,619)
Net (withdrawals) / additions from dealings with members		(5,395)	(931)	(6,326)	(4,734)	2,660	(2,074)
Net return on investments							
Investment income		-	-	-	-	-	-
Change in market value of investments	10	(5,919)	(898)	(6,817)	13,036	1,948	14,984
Investment management expenses	11	-	(51)	(51)	-	(43)	(43)
		(5,919)	(949)	(6,868)	13,036	1,905	14,941
Net (decrease) / increase in the fund		(11,314)	(1,880)	(13,194)	8,302	4,565	12,867
Transfer between sections	13	9	(9)	-	(5)	5	-
Net assets of the scheme							
Opening net assets		180,996	19,159	200,155	172,699	14,589	187,288
Closing net assets		169,691	17,270	186,961	180,996	19,159	200,155

Statement of net assets available for benefits as at 31 December 2018

£000s	Note	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Investment assets							
Pooled investment Vehicles	14	163,614	17,250	180,864	174,573	19,139	193,712
Insurance policies	10	5,337	-	5,337	5,628	-	5,628
Total net investments	10	168,951	17,250	186,201	180,201	19,139	199,340
Current assets	20	770	20	790	865	20	885
Current liabilities	21	(30)	-	(30)	(70)	-	(70)
Total assets available for benefits		169,691	17,270	186,961	180,996	19,159	200,155

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the defined benefit section, is dealt with in the report on actuarial liabilities on pages 22 to 25 of the annual report, and these financial statements should be read in conjunction with this report.

The accompanying notes form part of these financial statements.

The financial statements on [pages 38 to 47](#) were approved by the Trustee board on 26 June 2019 and were signed on its behalf by:

Director .. *Clive Gilchrist*

Name *R M GILCHRIST*

Financial statements (continued)

Notes to the financial statements

1 General information

The scheme was established to provide retirement benefits to certain groups of employees within the Endsleigh Limited group. The address of the scheme's principal office is UK Pensions and Benefits, Zurich, Compass House, Endsleigh Park, Shurdington Road, Cheltenham, Gloucestershire, GL51 4UE.

The scheme has a defined benefit ("DB") section which is no longer open to new members and as of 31 December 2015 closed to future accrual, and a defined contribution ("DC") section which was open to new members until the scheme's closure in March 2018 and was used as an auto-enrolment scheme by the employers.

The scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2014. This means that contributions by the employers and employees are normally eligible for tax relief and income and capital gains earned by the scheme receive preferential tax treatment.

2 Basis of preparation

The individual financial statements of Endsleigh Insurance Services Limited Pension and Assurance Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised November 2014) ("the SORP").

3 Accounting policies

The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements.

The scheme financial statements are presented under FRS 102. The scheme's functional and presentational currency is pounds sterling (GBP).

4 Critical accounting estimates and judgments

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgments on a reasonable and prudent basis.

a) Investments

Pooled investment vehicles are stated at the closing bid price at the scheme year end date, as advised by the investment manager. Additional Personal Contributions (APC) funds are included in the

financial statements as the balance of the account at the year-end date as advised by the investment manager.

Annuities have been valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent scheme Funding valuation assumptions updated for market conditions at the reporting date.

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

b) Investment income

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

ECashBuilder members up until March 2018 could choose to pay APCs under the scheme. Contributions received are separately invested with Zurich Assurance Ltd in the name of the individual contributor. Contributions received from members and monies payable by the Trustee in respect of benefits arising under APC arrangements have been included within the fund account.

c) Contributions

Normal contributions from the employer and employee are accounted for on an accruals basis in the month employee contributions are deducted from the payroll. The last normal contributions were received and invested in March 2018.

Employers' deficit funding contributions are accounted for in accordance with the agreement under which they are being paid.

Additional contributions are accounted for on the due dates set out in the schedule of contributions, or on receipt if earlier, with the agreement of the employer and the Trustee.

d) Benefits

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Pensions in payment are accounted for in the period to which they relate.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the scheme as appropriate.

e) Transfers to and from other schemes

Transfer values represent the capital sums either received in respect of members from previous pension schemes or payable to the pension schemes of new employers for members who have left the scheme. They are accounted for on an accruals basis on the date the trustees of the receiving plan accept the liability. In the case of individual transfers this is normally when the payment of the transfer value is made.

f) Other expenses and income

Premiums on life assurance policies and other income are accounted for on an accruals basis.

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

Financial statements (continued) Notes to the financial statements (continued)

4 Contributions

£000s	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Employer contributions						
- Normal	-	710	710	-	3,287	3,287
- Deficit funding	5,023	-	5,023	4,836	-	4,836
- In respect of life assurance	-	26	26	-	108	108
Total Employer Contributions	5,023	736	5,759	4,836	3,395	8,231
Employee contributions						
- Additional Personal Contributions (APC)	-	20	20	-	98	98
Total Employee Contributions	-	20	20	-	98	98
Grand Total	5,023	756	5,779	4,836	3,493	8,329

The deficit funding contributions are to improve the scheme's funding position in accordance with the recommendations of the actuary. Following the 31 December 2017 valuation (signed on 25 March 2019) the company agreed to pay deficit funding contributions of £432k by 31 March 2019 and £6.5m on 30 June each year (starting from 30 June 2019 and ceasing on 30 June 2025). The final contribution payable by 30 June 2026 will be £8.9m

The EPensionBuilder normal contributions ceased as of 31 December 2015 with all members moving to ECashBuilder. The ECashBuilder contributions ceased as of 31 March 2018 as a result of the scheme closure.

5 Transfers from other plans

£000s	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Individual transfers in from other plans	-	-	-	-	58	58
	-	-	-	-	58	58

6 Other Income

£000s	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Limited Revaluation Premiums Income	-	9	9	1	-	1
Insight Fees Refunded	12	-	12	5	-	5
Claims on term insurance policies	-	-	-	152	-	152
	12	9	21	158	-	158

Endsleigh Insurance Services Limited Pension and Assurance Scheme
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Financial statements (continued)

Notes to the financial statements (continued)

7 Benefits

£000s	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Pensions	(1,417)	-	(1,417)	(1,099)	-	(1,099)
Commutations and lump sum retirement benefits	(1,252)	-	(1,252)	(2,019)	-	(2,019)
Lump sum death in retirement benefits	(11)	-	(11)	(24)		(24)
Lump sum death in service	-	-	-	(159)	(7)	(166)
	(2,680)	-	(2,680)	(3,301)	(7)	(3,308)

8 Transfers to other plans

£000s	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Individual transfers to other schemes	(7,716)	(1,669)	(9,385)	(6,118)	(776)	(6,894)
	(7,716)	(1,669)	(9,385)	(6,118)	(776)	(6,894)

9 Other payments

£000s	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Group life assurance premium	-	(27)	(27)	-	(108)	(108)
Lifetime Allowance tax charges	(34)	-	(34)	(309)	-	(309)
	(34)	(27)	(61)	(309)	(108)	(417)

The Trustee has an insurance policy which is held with Zurich Assurance Ltd to cover the scheme against the lump sum payment in the event of an employee's death in service. Nil was claimed during the year (2017: £152k) as shown in note 6. The cover ceased in March 2018 as a result of the scheme closure, following the sale of Endsleigh to A-Plan.

10 Investment assets

Reconciliation of movements in investments during the year

£000s	Opening Value	Purchases at cost	Sale proceeds	Change in market value	Closing Value
Pooled investment vehicles:					
Legal & General	158,949	1,500	(19,500)	(4,954)	135,995
Insight	15,624	15,400	(2,731)	(674)	27,619
Insurance Policies	5,628	-	-	(291)	5,337
EPensionBuilder	180,201	16,900	(22,231)	(5,919)	168,951
Pooled investment vehicles:					
Zurich Assurance Ltd	19,139	729	(1,720)	(898)	17,250
ECashBuilder	19,139	729	(1,720)	(898)	17,250
Total net investments	199,340	17,629	(23,951)	(6,817)	186,201

Endsleigh Insurance Services Limited Pension and Assurance Scheme

Annual report to members for the year ended 31 December 2018

Financial statements (continued)

Notes to the financial statements (continued)

11 Investment Management Expenses

£000s	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Management Fees	-	(51)	(51)	-	(43)	(43)
	-	(51)	(51)	-	(43)	(43)

12 Investment Transaction costs

Indirect costs are incurred through the bid-offer spread on pooled investment vehicles it has not been possible for the Trustee to quantify such indirect transaction costs.

13 Transfers between sections

£000s	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Transfers between sections	9	(9)	-	(5)	5	-
	9	(9)	-	(5)	5	-

These transfers are the allocation of orphaned assets from ECB to EPB which are a result of ECB members surrendering their employer contributions as they have left within two years of joining and not transferred their benefits. The 2017 amount is in relation to the reversal of one of those payments.

14 Pooled Investment Vehicles

Amount in £'000	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Pooled investment vehicles						
Legal & General	135,995	-	135,995	158,949	-	158,949
Insight	27,619	-	27,619	15,624	-	15,624
Zurich Assurance Ltd	-	17,250	17,250	-	19,139	19,139
Total	163,614	17,250	180,864	174,573	19,139	193,712

15 Insurance policies-annuities

The trustees hold insurance policies with Legal and General which provide annuity income to cover pensions for certain members.

Annuities are valued annually by the scheme actuaries using the funding basis assumptions from the most recent triennial valuation.

16 ECashBuilder Investments

Investments purchased by the scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment managers hold the investment units on a pooled basis for the Trustee through a policy of insurance with Zurich Assurance Ltd. The scheme administrators allocate investment units to members. The total investment figure includes £17.3m designated to members (2017: £19.1m).

Financial statements (continued)

Notes to the financial statements (continued)

17 Additional personal contribution (APC) investment

Up to 23 March 2018, members of the DC section were allowed to pay contributions at a higher rate than required in the scheme rules. These contributions are co-invested with other DC assets and are not separately distinguishable.

18 Fair Value of Investments

The fair value of investments has been determined using the following hierarchy:

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

- Level 1: The unadjusted quoted price in an active market for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The scheme's investments have been included at fair value within these categories as follows:

Category				2018
Amount in £'000	1	2	3	Total
EPensionBuilder section				
Pooled investment vehicles	-	135,995	27,619	163,614
Insurance policies	-	-	5,337	5,337
ECashBuilder section				
Pooled investment vehicles	-	17,250	-	17,250
	-	153,245	32,956	186,201

Category				2017
Amount in £'000	Level 1	Level 2	Level 3	Total
EPensionBuilder section				
Pooled investment vehicles	-	158,949	15,624	174,573
Insurance policies	-	-	5,628	5,628
ECashBuilder section				
Pooled investment vehicles	-	19,139	-	19,139
	-	178,088	21,252	199,340

19 Investment risks

FRS102 requires the disclosure of information in relation to certain investment risks.

- **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 risk and other price risk:

Financial statements (continued)

Notes to the financial statements (continued)

- **Currency risk:** this is the risk that the fair value or future value of cash flows will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market interest rates
- **Other price risk:** this is the risk that the fair value of 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 a similar financial instrument traded in the market.

EPensionBuilder section

Investment strategy

The Trustee determines their investment strategy after taking advice from a professional investment adviser. The scheme has exposure to these risks because of the investments it makes in following the investment strategy described in the trustee report.

Credit Risk

The scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles (2018: £163.6m, 2017: £174.6m). The scheme is indirectly exposed to credit risk arising on the financial instruments held by the pooled investment vehicles.

The scheme's bond holdings in pooled investment vehicles are rated by external agencies, with the majority of the bonds being A (S&P) rated or above, with a small percentage of investments allocated to not rated (2018: 0.2% - 0.4%). Indirect credit risk arising from pooled investment vehicles is minimised by the underlying assets of the pooled arrangements being subject to minimum rating criteria, investing in a large number of issuers to reduce concentration risk, the regulatory environment in which the managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee board carry out due diligence checks on appointment of new pooled investment managers and on an on-going basis monitor any changes to the operating environment of the pooled manager. Pooled investments of the scheme comprise managed funds and insurance policies.

Currency risk

The scheme has indirect exposure to currency risk because some of the investments are held in overseas markets via pooled investment vehicles. The trustees have set a benchmark limit to overseas currency exposure of 16% (£26.2m) of the total portfolio (2017 £30.1m).

Interest rate risk

The scheme is subject to interest rate risk because some of the scheme investments are held in bonds and LDI investments which invest in swaps, gilts and repurchase agreements (2018: £27.6m 2017: £15.6m). The Trustee has set a benchmark limit of the total investment in bonds and the LDI fund of 68% of the total investment portfolio. Under the LDI Strategy if interest rates fall the value of the LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly if interest rates rise the LDI Investments will fall in value as will the actuarial liabilities because of an increase in the discount rate. At the year-end the LDI portfolio represented 16.9% of the total investment portfolio (2017: 8.9%)

Other price risk

Other price risk arises principally in relation to the scheme's return seeking assets which includes equities held in pooled investment vehicles. The scheme has set a target asset allocation of 32% with a tolerance limit of +/- 5% (2018: £52.5m, 2017: £60.2m) of investment being held in return seeking investments.

The scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

Financial statements (continued)

Notes to the financial statements (continued)

ECashBuilder Section

Investment strategy

The trustees' objective is to make available to members of the scheme an appropriate range of investment options designed to generate income and capital growth providing a retirement amount with which the member can purchase a pension annuity (or other type of retirement product). The SIP outlines the investment objectives and strategy for the Defined Contribution assets of the scheme.

The investment funds offered to members include white labelled funds provided by Zurich Assurance Ltd. These funds are specifically created for this scheme which are invested in other funds available through Zurich Assurance Ltd's platform. The list of white labelled funds is as follows:

- EFlexibleIncomePot
- EFundBuilder
- EPensionPurchasePot
- ERetirementLumpSum

The Trustee, together with the aid of their investment adviser has decided the asset allocation of the above funds and monitors the performance of the underlying funds. The day to day management of the underlying investments of the funds is the responsibility of the underlying fund managers. The trustees monitor the underlying risks using quarterly investment reports provided by Zurich Assurance Ltd.

The risks disclosed here relate to the DC Section's investments as a whole. Members are able to choose their own investments from the range of funds offered by the Trustee and therefore may face a different profile of risks from their individual choices compared with the Section as a whole.

Credit Risk

The DC Section (2018: £17.3m, 2017: £19.1m) is subject to indirect and market risk arising from the underlying investments held in the funds. Member level risk exposures will be dependent on the funds invested in by members.

Market Risk

The DC Section (2018: £17.3m, 2017: £19.1m) is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by the underlying fund managers.

20 Concentration of investments

Investments accounting for more than 5% of the net assets of the scheme were:

£000s	2018		2017	
	Value	%	Value	%
EPensionBuilder				
Global Equity 50:50 Index	52,509	28.24%	60,160	30.06%
AAA-AA-A Bonds-All Stks Index	38,253	20.57%	39,284	19.63%
Over 15y Gilts Index	28,583	15.37%	42,352	21.16%
AAA-AA-A Bonds-Over 15y Index	16,651	8.95%	17,154	8.57%
EFundBuilder ZP	16,059	8.64%	17,930	8.96%
LDI Enhanced Selection Longer Nominal	15,139	8.14%	8,025	4.01%
LDI Enhanced Selection Longer Real	9,974	5.36%	6,699	3.35%
Total	177,167		191,603	

Financial statements (continued)

Notes to the financial statements (continued)

21 Current assets

£000s	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Contributions due in respect of:						
Cash Balances	770	20	790	864	20	884
Sundry debtors	-	-	-	1	-	1
	770	20	790	865	20	885

22 Current liabilities

£000s	EPB 2018	ECB 2018	Total 2018	EPB 2017	ECB 2017	Total 2017
Other Creditors	-	-	-	(21)	-	(21)
Unpaid Benefits	(30)	-	(30)	(49)	-	(49)
	(30)	-	(30)	(70)	-	(70)

23 Contractual commitments and contingent liabilities

There were no significant contractual commitments or contingent liabilities at 31 December 2018 (2017: nil).

24 Related party transactions

BESTrustees plc received reimbursement of fees of £38k (2017: £23k) during the year in respect of duties as independent trustee director of the scheme.

Contributions in respect of trustee directors who are active members of the scheme have been made in accordance with the Trust Deed and Rules.

All scheme expenses, except for ECashBuilder administration costs and LDI management fees, are met by the company. This includes the trustee directors' remuneration as noted above.

Contributions made to ECashBuilder section are invested through a Corporate Savings Platform provided by Zurich Assurance Ltd. The total value of these funds at 31 December 2018 was £17.3m (2017: £19.1m).

A policy was taken out with Zurich Assurance Ltd to cover the scheme against the benefits payable if a member died whilst working for the company. The policy was taken out with effect from 31 December 2009 and ceased on 31 March 2018 when Endsleigh was sold to A-Plan.

25 Subsequent events

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

26 Employer-related investments

There were no direct employer-related investments during the year or at the year end (2017: Nil).

Independent auditors' statement about contributions to the trustee of the Endsleigh Insurance Services Limited Pension and Assurance Scheme

Statement about contributions

Our opinion

In our opinion, the contributions required by the schedules of contributions for the scheme year ended 31 December 2018 as reported in Endsleigh Insurance Services Limited Pension and Assurance Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the scheme actuary on 18 October 2017 and 26 March 2018.

We have examined Endsleigh Insurance Services Limited Pension and Assurance Scheme's summary of contributions for the scheme year ended 31 December 2018 which is set out on the following page.

Basis for opinion

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 in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme under the schedule of contributions and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the trustee in respect of contributions

As explained more fully in the statement of trustee's responsibilities, the scheme's trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
Date 26/06/2019

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

Summary of contributions payable during the year

During the year, the contributions payable to the scheme were as follows:

	EPB	ECB	Total
Amount in £'000	2018	2018	2018
Required by the schedules of contributions and scheme rules			
Normal contributions	-	710	710
Deficit reduction	5,023	-	5,023
Other contributions payable			
Life assurance	-	26	26
Additional personal contributions	-	20	20
Total per fund account	5,023	756	5,779

The actuary's certificate confirming the adequacy of the contribution rate is shown on the following page.

The summary of contributions on this page was approved by the Trustee board on 26 June 2019 and is signed on their behalf by:

Director *Clive Gilchrist*

Name *E M GILCHRIST*

Endsleigh Insurance Services Limited Pension and Assurance Scheme

Certification of the Schedule of Contributions

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected on 31 December 2017 to be met by the end of the period specified in the Recovery Plan dated *25 March 2019*.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated *25 March 2019*.

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: *Susanna Morran* Date: *25/3/19*
 Name: Susanna Morran Qualification: Fellow of the Institute and Faculty of Actuaries
 Address: St James's House Employer: Barnett Waddingham LLP
 St James's Square
 Cheltenham
 Gloucestershire
 GL50 3PR

ENDSLEIGH INSURANCE SERVICES LTD PENSION & ASSURANCE SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

MADE AS AT 25 June 2015

1. Introduction

- 1.1. This statement is made by Endsleigh Pension Trustee Limited ("the Trustee") the sole trustee of the Endsleigh Insurance Services Ltd Pension & Assurance Scheme ("the Scheme") for the purposes of and in accordance with section 35 of the Pensions Act 1995 as amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Plans (Investment) Regulations 2005 (S.I. 2005/3378) ("the Investment Regulations"). The statement is intended to describe the general approach of the Trustee to investment matters as they impact on the Scheme. As such, the statement might require amendment as general investment conditions alter and as the liabilities of the Scheme change over time.
- 1.2. The Scheme's assets are held in trust by the Trustee, whose investment powers are set out in the Scheme's governing Trust Deed. The content of this statement does not conflict with those powers.
- 1.3. The scheme has two sections, a Defined Benefit Section (EPensionBuilder) and a Defined Contribution Section (ECashBuilder)
- 1.4. It is the Trustee's intention to review these principles at least every three years or more frequently if there is a significant change in the Scheme's circumstances. Changes should only be made after due and proper consideration of the circumstances.
- 1.5. Before making or revising this statement the Trustee has obtained and considered written advice to ensure that its contents are appropriate to the circumstances of the Scheme. The Trustee has also consulted the Endsleigh Insurance Services Limited ("the Employer") as to the contents of this statement.

2. EPensionBuilder

2.1. Investment Objectives

- 2.1.1. The Trustee considers the following to constitute its overall objectives of EPensionBuilder:
 - a) to invest in assets of appropriate quality and liquidity which will generate income and capital growth to meet, together with new contributions from the employers, the cost of current and future benefits which the Scheme provides, as set out in the Trust Deed and Rules and
 - b) over the long term to equal or exceed the real, i.e. after adjusting for the effects of inflation, investment return assumed in the actuarial valuation of the liabilities of the Scheme from time to time and
 - c) any other objective that the Trustee may, from time to time, consider appropriate.

2.2. Choosing investments

- 2.2.1. The Trustee appoints a Fund Manager (or more than one) to carry out all the day-to-day functions relating to the management of the fund and its administration.
- 2.2.2. The Trustee is closely involved in the wider issues relating to overall investment strategy, but is not involved in day to day decisions. In light of the size of the Scheme and the number of Trustee directors, it is not considered appropriate to set up an investment sub-committee.
- 2.2.3. In particular, the selection of particular investments is left to the Fund Managers.
- 2.2.4. The selection of investments also reflects the Trustee's view, having consulted the Adviser and the Scheme Actuary, as to the suitability of a particular kind of investment in any given category to the nature of the Scheme's liabilities.

- 2.2.5. The Trustee reviews their investment strategy on a triennial basis (or more frequently if significant events take place). When doing so, the Trustee seeks and considers advice of the nature described above.
- 2.2.6. The Fund Managers appointed by the Trustee are given a copy of this statement and informed that the Trustee expects the principles contained in this document to be reflected in the Manager(s)'s actions, in so far as reasonably practicable.
- 2.2.7. The Trustee has appointed Legal & General Assurance (Pensions Management) Limited (the "Manager") to administer on their behalf the non-LDI assets of the Scheme. The investment comprises units in pooled managed funds and the Trustee's contract with the Manager is evidenced by a policy of assurance. The Manager has delegated all duties relating to the day-to-day investment management of the portfolio of securities and cash underlying these units to Legal & General Investment Management Limited ("LGIM").
- 2.2.8. Both these companies are wholly-owned subsidiaries of Legal & General Group PLC. The Manager is monitored by the Insurance Division of the Treasury. LGIM is regulated by the Financial Services Authority.
- 2.2.9. The Trustee has appointed Insight Investment Management (Global) Limited (the "LDI Manager") to manage the liability driven investment strategy of the Scheme. The investment comprises units in a pooled fund.
- 2.2.10. Collectively, and for the purposes of this document, the Manager and LDI Manager are referred to as "Fund Managers".
- 2.2.11. The Trustee has appointed an authorised investment adviser, Barnett Waddingham LLP (the "Adviser"), who advises on the suitability of certain investments having regard to the nature of the Scheme's liabilities. The Trustee from time-to-time also receives advice from other appropriately qualified experts as to the suitability of investments. The Trustee is advised by the Adviser that such advice is not necessary when straightforward, day to day decisions on particular investments of a kind and amount already agreed as being within certain fixed parameters (for example, selling one share and buying another) are made by the Fund Managers. However, where issues of a more substantial nature arise (for example, the proportion of the fund to be held in a currency other than sterling) then such advice is sought and confirmed in writing. The Trustee considers such advice before making their decisions.
- 2.2.12. The remuneration of the Fund Managers is calculated as a percentage of the fund value unless agreed to the contrary, the Adviser is remunerated based on the value of time actually spent on investment-related work.

2.3. The kinds of investment to be held

- 2.3.1. Subject to the requirements of the Scheme's documentation and legislation generally, the Trustee is not restricted in the kind of investment it can make. This freedom extends, in particular (but not exclusively) to investments of the following kinds:-
 - (a) an annuity contract or assurance policy (whether with profits or not) issued by a United Kingdom office or branch of an Insurance Company;
 - (b) a scheme of deposit administration;
 - (c) a unit trust, managed fund or mutual fund;
 - (d) a deposit with a local authority, bank, building society, finance company or other financial institution.
 - (e) a Liability Driven Investment (LDI) Fund (which includes swaps, gilt repurchase arrangements and other derivative contracts)
- 2.3.2. This list (which is not intended to be exhaustive) includes investments in currencies other than sterling.

- 2.3.3. Although the Trustee has complete freedom to invest within the terms of the Trust Deed there are some kinds of investment that it will choose from time to time not to make. It will also impose restrictions on the proportions held in various kinds of investments.
- 2.3.4. Details of any such restrictions are made known in writing to the Fund Managers.

2.4. The balance between different kinds of investment

- 2.4.1. Having taken advice from the Adviser, the Trustee recognises that the return received from different kinds of investment is achieved in different ways (for example, a high income but little opportunity for capital growth as opposed to a low income but substantial opportunity for capital growth).
- 2.4.2. Having taken advice from the Adviser, the Trustee also recognises that the liabilities of the Scheme are of different kinds (for example, current pensioners require an immediate income whereas current employees require no immediate pension income but will do so in future).
- 2.4.3. The Trustee seeks to balance the investments held against the current and future needs of the Scheme.
- 2.4.4. The Trustee and the Fund Managers agree from time to time an allocation of the fund having regard to the need to diversify investments across different categories of investment and between investments in a particular category. Such allocations are decided also against the background of the Scheme's liabilities and the Trustee is advised by the Adviser in this regard.

2.5. Risk

- 2.5.1. The Trustee's attitude to risk reflects the long term nature of the Scheme's liabilities.
- 2.5.2. In terms of the investment strategy the Trustee views risk as the probability that its chosen strategy would result in the objectives not being met i.e. that insufficient funds would be available to meet the liabilities as they fall due. The strategy is designed to maximise the probability of meeting the objectives whilst controlling those factors which may result in the objective not being met.

In arriving at the investment strategy, the Trustee has considered the following risks:

- Actions by the Fund Managers (Fund Manager risk)
- The need to pay benefits in the short-term (cash flow risk)
- The failure of some of the investments (concentration risk)
- Actions by the custodian (custody risk)
- The need to have sufficient cash or liquid assets to cover future collateral calls relating to the LDI Fund (collateral risk).

2.5.3. Fund Manager risk

In aiming to control Fund Manager risk the focus of the Trustee's attention is on the following aspects:

- the risk of the Fund Manager under-performing the objectives set
- the risks inherent in the particular Fund Manager's philosophy
- the risk of the Fund Manager failing to conduct its business in compliance with regulatory requirements

The first element is monitored on a regular basis through an assessment of the Fund Manager's performance. The second element requires an analysis of the effect of any changes which affect the Scheme's liability profile or funding position. The third is monitored by receiving reports from the Fund Manager confirming that it has not been subject to significant criticism or censure by its regulators.

The Trustee has adopted a passive investment style for the majority of the Scheme's assets that minimises the risk from underperformance by the manager. This approach also significantly reduces the costs of investment management.

2.5.4. Cash flow risk

Cash flow risk relates to the realisation of investments in order to meet the benefit outgo. If such realisations are made at depressed prices, this may in turn reduce the probability of meeting the overall objectives.

The Trustee and its advisers manage the Scheme's cash flow requirements over the short-term in order to minimise the probability that this occurs.

On a long term basis, actuarial valuations of the Scheme are undertaken every three years and Actuarial Reports are produced every year, allowing the Trustee to measure the Scheme's funding level on a regular basis. This allows the Trustee to take appropriate steps to minimise the risk from under funding by securing contributions from the Employer.

2.5.5. Concentration risk

The failure of any of the investments would jeopardise the Trustee's ability to meet the objectives if it constituted a significant proportion of the assets. In order to reduce this risk the appointed manager invests, on the Trustee's behalf, in a range of different asset classes and in different securities in each class.

The Trustee and its advisers monitor the manager's activity to ensure that it remains appropriate.

2.5.6. Custody risk

The Trustee has delegated all duties relating to the day to day investment management of the portfolio including oversight of custody to Legal & General Investment Management Limited. The Trustee recognises that failure by a custodian could prejudice the ability of the Scheme to meet its liabilities. The Trustee's auditors produce an annual statement detailing any issues requiring further consideration.

2.5.7. Collateral risk

The Trustee has implemented a Liability Driven Investment strategy to manage the interest rate risks to which the scheme is exposed. The scheme may enter into Swap contracts under the LDI Fund. Collateral will either be received or posted depending on whether the value of swaps moves in favour of the Trustee or the counterparty. The LDI Manager monitors the amount of eligible collateral it has at any point in time to mitigate the risk of being forced to sell non-eligible assets to meet any collateral calls; or to avoid the risk of having positions closed.

2.6. The expected return from investments

- 2.6.1. When selecting investments of different kinds the Trustee will have regard to the relative investment return that each category is expected to produce. In this context, the Trustee receives information from both the Adviser, and the Fund Managers and, from time to time, other appropriately qualified experts.
- 2.6.2. The Trustee recognises the need when making these comparisons to distinguish between nominal and real returns and to make appropriate allowance for inflation.
- 2.6.3. Having established the investment policy that the Fund Managers are expected to follow, the Trustee monitors the performance of both. A consistent failure to achieve adequate performance could result in the Manager or LDI Manager being replaced.

2.7. The realisation of investments

- 2.7.1. The Trustee will have regard to the liquidity of a kind of investment before deciding to make an investment of that kind. In particular, they will consider liquidity in the context of the

Scheme's likely need for cash in the short and longer term, the income generated from an investment of that kind and the prospects for liquidity at a future date.

- 2.7.2. In the normal course of events the Fund Managers will sell investments from time to time to be replaced by others. The Trustee is concerned that the volume of such turnover is not excessive and the Fund Managers are aware that the expenses involved in turnover can affect performance and that excessive turnover might give rise to an income tax liability if it were to be regarded as trading by HM Revenue & Customs.
- 2.7.3. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. The Trustee is advised by the Scheme Actuary as to the solvency of the Scheme should this happen sooner rather than later. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value as shown in the accounts.

2.8. Ethical investment

- 2.8.1. Whenever possible the Trustee will prefer a particular investment which they believe to be more socially responsible, as opposed to one that is less socially responsible. For this purpose socially responsible means that the investment seeks to contribute positively rather than negatively to the economy, environment and society in which the investment is made.
- 2.8.2. In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest in pooled funds and cannot therefore directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest. However, the Trustee recognises that the Fund Managers take into account social, environmental and ethical factors, through the use of its shareholder influence through corporate governance. From time to time the Trustee reviews the Fund Manager's corporate governance policy (to the extent their scope, or investment universe is applicable) to check that it reflects the key principles of socially responsible investment.
- 2.8.3. The Trustee recognises that the other considerations of this statement and other financial factors may override ethical issues.

2.9. Asset allocation and investment strategy

- 2.9.1. Recognising the constraints detailed in the sections above and having taken advice from the Adviser, the Trustee has adopted the following asset allocation strategy for the assets (within tolerance limits of +/- 5%), excluding the purchased annuity policies.
 - 32% of the assets are to be invested in equities and the remaining 68% of the assets are to be invested in bonds.
 - The equity part of the portfolio will be invested 50% in UK equities and 50% in overseas equities.
 - The bond part of the portfolio will be invested in a mixture of UK government fixed interest gilts, UK corporate bonds and the LDI Fund.
- 2.9.2. This asset allocation strategy has been decided on in conjunction with the Adviser, and will be reviewed from time to time as circumstances change, by considering the level of investment risk to which the Trustee is prepared to expose the Scheme. This in turn will depend upon a number of factors including:
 - a) the schemes liability profile,
 - b) the funding plan in place
 - c) the sponsor covenant and

with reference to the relative returns available on equities, gilts and corporate bonds and the likely volatility of those returns. The asset allocation strategy will be reviewed from time to time, in view of changes to market conditions and the Scheme's liability profile.

2.10. Performance Measurement

2.10.1. The Manager's pooled managed funds utilised and the benchmarks of the funds are as follows: The Trustee has agreed, based on advice from the Adviser and the other appropriately qualified experts, the benchmark against which the performance of the Manager is measured.

Global Equity Fixed Weights (50:50) Index Fund	50% FTSE All-Share Index, 17.5% FTSE World Europe (ex UK) Index 17.5% FTSE North America Index 8.75% FTSE World Japan Index 6.25% FTSE World Asia Pacific (ex Japan) Index
Over 15 Year Gilt Index Fund	FTSE A Government (Over 15 Year) Index
AAA-AA-A Corporate Bond – All Stocks – Index Fund	iBoxx £ Non-Gilts (ex-BBB) Index
Over 15 Year AAA-AA-A Corporate Bond Index Fund	iBoxx £ Non-Gilts (ex-BBB) Over 15 Year Index

2.10.2. The LDI Manager's performance is assessed relative to the performance of both a gilt and a swap benchmark of equivalent duration to the notional liability profile of the fund.

2.10.3. The objective for each of the funds is to achieve a total return that is close to the benchmark over the longer term.

2.10.4. The Trustee regularly monitors actual performance against the benchmarks set.

2.11. Corporate governance

2.11.1. Whenever appropriate the Trustee will seek to exercise their voting rights in the best long-term interests of Scheme members. However, as the Scheme invests in pooled funds, the day-to-day decisions regarding corporate governance, including the exercising of voting rights, are delegated to the Fund Managers (where applicable).

3. ECashBuilder

3.1. Investment Objectives

3.1.1. The Trustee considers the following to constitute its overall objectives of ECashBuilder:

- a) to provide an appropriate range of investment choices designed to generate income and capital growth which together with contributions from members and the employer will provide a fund at retirement with which to purchase an annuity
- b) to provide a range of funds appropriate for members' attitude to risk and proximity to retirement as members' investment needs and risk appetite change approaching retirement

3.2. Choosing investments

3.2.1. The Trustee appoints a fund administrator to carry out all the day-to-day functions relating to the management of ECashBuilder fund and its administration.

3.2.2. The Trustee is closely involved in the wider issues relating to overall investment fund selection, but is not involved in day to day management of the funds.

3.2.3. The Trustee has appointed Zurich Assurance Ltd to administer ECashBuilder on their behalf.

3.3. The kinds of investment to be held

- 3.3.1. Having taken advice from the Adviser, the Trustees have made available a range of funds through Zurich Assurance Ltd in which members can invest. From time to time funds may be added, removed or amended as considered necessary by the Trustee.
- 3.3.2. In addition to these funds the Trustee provides a Lifestyle option which is the default investment option for this section of the Scheme.
- 3.3.3. The Lifestyle option has been white labelled so that the Trustee can accommodate changes in the underlying funds without undue disruption.

3.4. Risk

- 3.4.1. In terms of the ECashBuilder investment choices the Trustee views risk as the probability that its chosen funds would result in the objectives not being met i.e. that insufficient funds would be available to purchase an annuity at retirement. The fund choices and Lifestyle option are designed to maximise the probability of meeting the objectives whilst controlling those factors which may result in the objective not being met.

In arriving at the investment fund choices and designing the lifestyle option, the Trustee has considered the following risks:

- Actions by the underlying investment managers (manager risk)
- The risk that investment returns over members' working lives is not inline with inflation (inflation risk)
- The risk that market movements just prior to a members' retirement substantially reduce their fund available to buy an annuity / retirement lump sum (investment risk).

3.5. Investment options

- 3.5.1. Recognising the constraints detailed in the sections above and having taken advice from the Adviser, the Trustee has chosen to provide the following asset classes as self select funds for members of the Defined Contribution Section.

Core range

- UK Equity
- World ex-UK Equity
- UK Gilts (Over 5 year)
- Deposit

Wider range

- Managed
- Global Equity
- Property
- UK Corporate bonds
- Emerging markets equity
- Index linked (over 5 years)
- Corporate bonds

- 3.5.2. The lifestyle option has been designed to invest in higher risk/return funds when members are further away from retirement and gradually move their investments to lower risk/return funds as they approach retirement.

There are three component funds in the lifestyle option, each designed to achieve a different objective. The trustees will review the underlying investments in each of the component funds and may change them from time to time.

Endsleigh Insurance Services Limited Pension and Assurance Scheme Annual report to members for the year ended 31 December 2018

Component Fund	Objective
EFundBuilder	To invest in higher risk/return funds to achieve investment growth
EPensionPurchasePot	To invest in lower risk / return funds that will be used to buy a pension at retirement
ERetirementLumpSum	To invest in lower risk/return funds that will be used to fund the retirement lump sum

The switching will take place automatically in regular intervals over a period of 10 years leading up to the members chosen retirement age.

- 3.5.3. These asset classes have been decided upon in conjunction with the Adviser, by considering the level of investment risk to which members may be prepared to take and with reference to the relative returns available on equities, gilts and corporate bonds and the likely volatility of those returns. The asset classes available to members will be reviewed from time to time, in view of changes to market conditions and the Scheme's membership profile.

Core range	Charges 1
Aquila UK Equity Index Tracker ZP	0.47%
Aquila World ex-UK Equity Index Tracker ZP	0.47%
Aquila Over 15 Year UK Gilt ZP	0.47%
Zurich Treasury and Deposit Fund 2	0.42%
Wider range	Charges 1
Managed 2 EP	0.63%
Global Equity ZP	0.83%
Property ZP	0.73%
UK Corporate Bond ZP	0.67%
JPM All-Emerging Markets Equity ZP	1.47%
Aquila Index-Linked Over 5 Year Gilt Index ZP	0.47%
Aquila Corporate Bond All Stock Index EP	0.47%

- 3.5.4. To achieve these objectives, the Trustee has instructed the Zurich Assurance Ltd to administer the Defined Contribution Section using the following funds:-

4. Compliance with this Statement

- 4.1. The manager(s) for both EPensionBuilder and ECashBuilder will provide the Trustee from time to time with a trading statement showing the investment or disinvestment of all monies and, not less than quarterly, a valuation statement showing the number and type of units credited to the Scheme and their current value.
- 4.2. The Manager(s) will provide the Trustee with regular reports giving a summary of investment activity since the last report and a review of the performance of the Scheme's assets.
- 4.3. A representative of the Manager(s) will be available to report in person to the Trustee at reasonable intervals.

- 4.4. It is the Trustee's intention to review this Statement of Investment Principles from time to time and when they deem it necessary, to revise accordingly, taking particular note of any significant changes in the Scheme's liabilities.
- 4.5. The Trustee will review on a regular basis the investment performance of the Scheme's assets together with the continuing suitability of the Manager.

5. Availability

- 5.1. A copy of this statement will be made available to the Employer, the Manager(s), the Scheme Actuary and the Scheme Auditor. A copy will be provided to Scheme members upon request.

Clive Gilchrist

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**Signed on behalf of Endsleigh Pension Trustee Limited
25 June 2015**