Endsleigh Insurance Services Limited Pension and Assurance Scheme

Annual report and financial statements

Year ended 31 December 2020

Pension Schemes Registry reference no: 10085913

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Welcome from the Trustee chairman

Welcome to the 2020 annual report and financial statements. This has been an extraordinary year and we have faced a number of challenges as a consequence of the COVID-19 pandemic.

Throughout the year we monitored the evolving situation with respect to the impact on employer covenant, investment, scheme management and administration. Our administrators and advisers continued to operate effectively under their business continuity plans and adapted quickly to remote working. The significant market volatility at the start of the pandemic affected the funding level of EPensionBuilder and fund values in ECashBuilder. We worked with our advisers to closely monitor the asset allocation and investment strategy for EPensionBuilder and the availability of ECashBuilder funds.

For members with DB benefits

Valuation & funding

We undertake a full scheme valuation every three years, with an annual update in the intervening years.

The last full valuation was completed in March 2019, with an effective date of 31 December 2017. The annual update as at 31 December 2019 showed that the estimated funding level of EPensionBuilder had slightly improved since the valuation as at 31 December 2017. This was mainly due to the returns on invested assets being higher than assumed and the payment of deficit reduction contributions by the company. These have more than offset the increase in liabilities as a consequence of the decrease in gilt yields.

Work on the full scheme valuation as at 31 December 2020 is underway and we are expecting to finalise the results in early 2022. You can read more about the funding of EPensionBuilder on page 14.

Investment

Our investment strategy is kept under review and aims to find a balance between controlling risk and seeking returns with growth assets. We are also 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).

We believe that incorporating environmental, social and governance (ESG) factors into investment decisions improves long term risk adjusted returns. Since formalising our responsible investment strategy in October 2019 we have updated our Statement of Investment Principles ("SIP") to set out our policy on managing the asset manager relationship to comply with updated regulations. We have also prepared an Implementation Statement to demonstrate compliance with the SIP.

You can read more about our investment strategy on page 18.

For members with DC benefits

Value for members

We are required to undertake an annual assessment of value for members in the scheme's DC arrangement, ECashBuilder. Our review focussed on whether the scope and quality of the services in ECashBuilder provides value when compared with the costs and charges.

You can read more about our assessment of value for members in the Chair's statement on page 29.

For all members

Trustee knowledge and understanding

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

- DB investments (including Liability Driven Investment);
- DC investments;
- DC retirement options; and
- preparing for the 2020 actuarial valuation.

All our training was delivered by appropriate specialists in the relevant fields.

I hope you enjoy reading this year's report and find it engaging and informative. If you have any comments or queries, please contact Claire Calo (scheme secretary) at the address on page 7.

With very best wishes

Clive Gilchrist **(Chair)**

30 June 2021

Trustee's report

How the scheme is managed

Trustee directors

This pension scheme is set up under trust under English law, which ensures a high level of security for members' benefits by legally separating the pension scheme's assets from those of the sponsoring company. The sponsoring company is 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 can operate with vacancies, which does happen from time to time when people leave. The Trustee directors follow Zurich group and industry best practice but operate quite independently. Importantly, one of the Trustee directors is completely independent of 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 nominated Trustee directors

Following the closure of the scheme in March 2018, the Trustee changed the eligibility 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.

A nomination and selection process was run later that year and the Trustee received insufficient nominations to fill the vacancies. Consequently, the Trustee directors took the decision to expand further the eligibility criteria for member nominated Trustee directors to include all deferred members.

Member nominated Trustee directors are selected through a competency based interview by a selection panel consisting of two Trustee directors (including the Chair) plus Zurich's Head of UK Pensions and Benefits (or a nominated representative). Where the selection panel does not include any members of the scheme, a member (typically occupying a role on the senior leadership team at Endsleigh) will be invited to be a fourth member of the section panel.

Selected nominees will have the necessary skills and aptitude to be Trustee directors.

Changes to the Trustee directors

There were no changes to the Trustee directors during 2020.

Trustee directors at 31 December 2020

Clive Gilchrist (Chair)
Representing BESTrustees

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

Gil Okai
Management Consultant / Business Adviser
Appointed 08/10/2019

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

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

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

Independent Trustee director
Company nominated Trustee director
Member nominated Trustee director

Trustee advisers

The Trustee appoints 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 directors review these on a regular basis.

Scheme actuary	Solicitors
Susanna Morran, FIA, Barnett Waddingham LLP	TLT Solicitors
Investment managers	**Scheme administrator**
ECashBuilder: Scottish Widows	**ECashBuilder** Scottish Widows
EPensionBuilder: Legal & General Assurance (Pensions Management) Limited	**EPensionBuilder**: UK Pensions and Benefits (the "ZPen team"), Zurich
Insight Investment Management (Global) Ltd	**Investment adviser**
	Barnett Waddingham LLP
Independent auditors/Covenant advisers	**Bankers**
PricewaterhouseCoopers LLP	NatWest
Trustee company secretary	**Scheme secretary**
Zurich Corporate Secretary (UK) Limited	Claire Calo, Zurich, UK Pensions and Benefits

Address for general information and individual benefit enquiries

EPensionBuilder (and scheme secretary)
The ZPen team
UK Pensions and Benefits
PO Box 377
Darlington
DL3 6XY
Email: zpenteam@uk.zurich.com

ECashBuilder
Scottish Widows
The Grange
Bishops Cleeve
Cheltenham
Gloucestershire
GL52 8XX

Website:
www.scottishwidows.co.uk/save/ecashbuilder2016
Email : workplacesavings@scottishwidows.co.uk

Trustee's responsibilities

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

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

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

Conflicts of interest and duty

The Trustee 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 directors or the sponsoring company (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 directors 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's obligations on how to handle confidential information acquired in their Trustee director role and in other roles.

Trustee knowledge and understanding

By law[1], 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 the expectations for trustee knowledge and understanding (TKU) in a Code of Practice.

The Trustee 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.

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. The last formal annual assessments were carried out in February 2021.

In 2020 Trustee training focussed on DB investments (including Liability Driven Investment), DC investments, DC retirement options and preparation for the actuarial valuation.

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

[1] Pensions Act 2004

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 trust. This section was called ECashBuilder and the final salary section was re-branded 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 took over responsibility for the Endsleigh scheme, rather than transferring it to A-Plan Holdings.

The Trustee company

The Trustee company has 1 share, held by Zurich Holdings Ltd.

The sponsoring company

EFSL is the sponsoring company, responsible for the scheme.

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 Chair does not have a casting vote.

This year there were four regular Trustee meetings. Meeting attendance is recorded in the table below. During the COVID-19 pandemic all meetings were held virtually; these are also included in the attendance records.

Trustee director	Number of meetings attended
Clive Gilchrist	4/4
Phil Agg	4/4
Pete Bishop	4/4
Tim Grant	4/4
Gil Okai	4/4
Greg Wenzerul	4/4

Changes made during the scheme year

There have been no changes to the scheme during the year.

Preparation and audit of financial statements

The financial statements for the year are set out on pages 42 to 50 and scheme membership details are detailed on page 11.

The Trustee confirms 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.

The ECashBuilder and EPensionBuilder arrangements include indirect investments in the Zurich Group through pooled investment vehicles accounting for less than 0.1% of the scheme's assets.

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 transfer 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.

As permitted by TPR guidance, cash equivalent transfer values were temporarily suspended between 6 April 2020 and 9 June 2020 to allow the Trustee to review the market volatility due to COVID-19.

COVID-19

On 23 March 2020, in response to the COVID-19 pandemic, the UK Government announced a 'lockdown' with the public advised to stay at home except for key workers. In the weeks leading up to this the UK Pensions & Benefits team and many of the Trustee's suppliers and advisers had implemented parts of their business continuity plans and transitioned to remote working.
In the months that followed The Pensions Regulator (TPR) issued a number of guidance notes for trustees and employers of DB and DC schemes. The Trustee considered each of the key points and noted actions taken.

Included on the TPR guidance was the consideration of any material changes to the employer covenant. Following regular updates from the Company through the Trustee Board, the Trustee was satisfied that no further action was necessary. The Trustee continues to monitor the employer covenant in light of the COVID-19 pandemic.

The review did not highlight any significant issues and the Trustee's suppliers and advisers continued to operate effectively under their business continuity plans.

Further details on the investment market volatility and the suspension of the property fund can be found on page 26.

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 on or after 6 April 2016 the state no longer provides these increases.

Category	Pensionable service	Rate in 2020
Pensions payable for leavers before 6 April 1997	All pensionable service	3%
Pensions payable for leavers on or after 6 April 1997	Pensionable service up to 31 December 2003	3%
	Pensionable service between 1 January 2004 and 5 April 2006	2.4%
	Pensionable service from 6 April 2006	2.4%

Preserved pensions[2]

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

Pensionable service	Rate
Pensionable service up to 31 December 2003	Fixed 5%
Pensionable service from 1 January 2004	RPI subject to a maximum of 5%
Guaranteed minimum pension (GMP)	In accordance with statutory increases

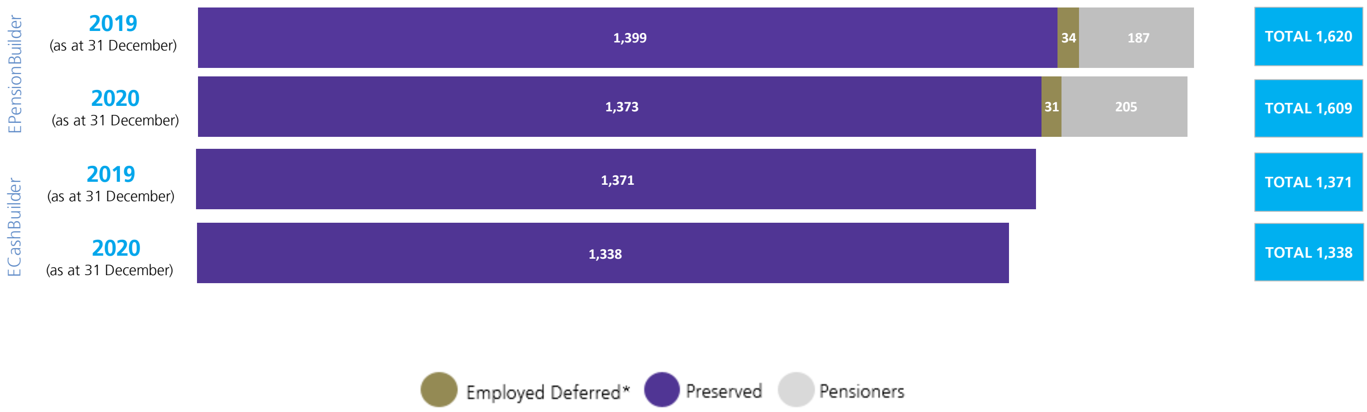
Scheme running costs

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

[2] Members have preserved benefits if they have left active membership of the scheme but have not yet claimed their benefits

Membership details

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



		Members with Preserved Benefits		Employed Deferred*	Pensioners
	Total	EPB	ECB	EPB	EPB
Balance at start of year	**2,991**	**1,399**	**1,371**	**34**	**187**
Transferred out to EPensionBuilder**			(4)		
Transferred out to other schemes		(6)	(26)		
Deaths		(3)	(1)		(1)
Retirements		(20)			20
Employed deferred leavers		3		(3)	
Record duplication clean up					(1)
Small pot lump sum			(2)		
Balance at end of year	**2,947**	**1,373**	**1,338**	**31**	**205**
Pensions secured by annuity policies with Legal & General					**32**
Revised year end balance	**2,979**	**1,373**	**1,338**	**31**	**237**

* Employed deferred category is members with EPensionBuilder benefits who have been continuously employed by Endsleigh since January 2016.
** Members transferring out to EPensionBuilder are using proceeds from ECashBuilder towards their retirement lump sum.

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 are appropriately authorised under the Financial Services and Markets Act 2000 to manage investments or are 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 Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom 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 financial statements have been prepared in accordance with 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 accounting records are kept and for taking such steps as are reasonably open to it 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 Trustee's 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 company 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 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); to promote and to improve understanding of the good administration of work-based pension schemes; to maximise employer compliance with automatic enrolment duties; and to minimise any adverse impact on the sustainable growth of an employer

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 fifteen codes of practice and details on how the scheme complies with the codes can be obtained on request from the Scheme Secretary.

ESG: Clarifying and strengthening trustees' investment duties

Pension schemes with more than 100 members are now required to disclose the risks of their investments, including those arising from environmental, social and governance ("ESG") considerations. The new rules published by the Department of Work & Pensions came into effect on 1 October 2019 and require trustees to state their policies in the Statement of Investment Principles.

The Trustee has formalised its responsible investment strategy in the Statement of Investment Principles in line with these requirements. Further details on these policies and procedures can be found on page 39.

Further regulations came into effect on 1 October 2020 which extend some of the disclosure obligations to include details of the Trustee's policies in relation to arrangements with their asset manager, and which require further details to be included in the Trustee stewardship policy.

The Trustee is also required to produce an implementation statement setting out how it has acted on the principles it set out, including how it takes account of the views which, in its opinion, members hold.

The Trustee has formalised the implementation statement in line with these requirements. Further details on these policies and procedures can be found on page 71.

Scheme funding

Report on 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. This is assessed at least every 3 years using assumptions agreed between the Trustee and the company and set out in the Statement of Funding Principles, a copy of which is available to scheme members on request.

Funding policy

The Trustee is responsible for making sure there is enough money in EPensionBuilder to pay the benefits as they fall due. So, the Trustee needs 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 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 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); and
- how the liabilities are likely to be affected by pension increases and how long pensioners are expected to live after taking benefits.

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

Actuarial valuation

At least once every three years the Trustee asks the scheme actuary to carry out a valuation to assess the 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 benefits and those who have actually taken benefits.

In calculating this value, the actuary makes assumptions about things like return on investments, inflation in the future and how long members are expected to live.

The Trustee also takes into account a review from PricewaterhouseCoopers LLP as to the strength of the company structure supporting the scheme and considers the investment of the scheme's assets, both now and into the future.

The assumptions are agreed by the Trustee and the company having taken advice from the actuary.

These calculations produce the scheme's "technical provisions" and the actuarial method 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 in EPensionBuilder with the value of assets held. The result of this comparison is called the "funding level".

If assets are valued higher than the technical provisions, there is a "surplus". If the reverse applies, there is a "deficit".

A surplus or deficit does not necessarily mean that the asset value is too big or too small compared to future payments. The valuation is essentially a "snapshot" in time taking account of the various factors described above. The long-term position will depend 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. This will then be compared to the latest Treasury targets for inflation in the UK, and other relevant information such as inflation swap pricing, when deriving the assumption to use. Supply and demand factors for such assets may also be taken into account, as well as potential or actual future changes to the derivation of inflation indices.

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.

An assumption for Consumer Price Index (CPI) inflation will be set having regard to the likely long-term difference between RPI and CPI.

The Trustee continues to monitor and take professional advice on the outcome of the Government's review around changes to RPI and CPI approaches, including the possible implications from holding government bonds.

Discount rate

The discount rate is normally determined by the Trustee based on professional advice, taking into account relevant market indicators at the valuation date, the EPensionBuilder long-term strategic asset allocation, the liability profile of EPensionBuilder and the perceived strength of the employer covenant. Allowance may also be made for agreed or potential changes in the strategic asset allocation in future.

As a proportion of the EPensionBuilder 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 are 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 is made for members to take part of their EPensionBuilder 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 EPensionBuilder, 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 EPensionBuilder 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 account of professional advice and the experience of EPensionBuilder or similar schemes.

Expenses

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

The key assumptions used in the 31 December 2017 valuation 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	• 100% PNMA00 for males • 120% PNFA00 for females with tapering to 100% between ages 95 and 105

GMP Equalisation

An approximate allowance for the cost of equalising for the effect of unequal GMPs of £1.0m was made when calculating the Technical Provisions (based on summarised membership data as at 31 December 2017).

This estimate was calculated on the actuarial value method which compared the estimated value of benefits calculated on a male GMP basis with those calculated on a female GMP basis. If the opposite sex value was higher than the actual sex value, the difference contributed to an additional liability to EPensionBuilder.

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 had a deficit of £55.3m, equivalent to a funding level of 76%.

Recovery Plan

The Trustee agreed a recovery plan with the company to fund the deficit.

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

Contributions of £6.5m are payable by the company annually on 30 June each year (these started from 25 March 2019 and are due to cease on 30 June 2025). A final contribution of £8.9m is payable by 30 June 2026.

Annual Actuarial Report

A full scheme valuation is conducted every three years. In the intervening years the Trustee obtains an annual funding update. The estimated funding position as at 31 December 2019 was approved by the Trustee in Q1 2020 and the results are shown in the table below.

A summary of the funding position as at the 31 December 2017 full valuation, and the 31 December 2018 and 31 December 2019 annual updates is shown below.

Funding results	31 December 2017 £ million	31 December 2018 £ million	31 December 2019 £ million
Assets	175.4	164.4	197.2
Liabilities Technical provisions	230.7	215.4	252.8
(Deficit)	**(55.3)**	**(51.0)**	**(55.6)**
Funding level	76%	76%	78%

Actuarial certificate

A copy of the actuary's full report on the valuation as at 31 December 2017 is available on request from the scheme secretary (see contact details on page 7).

By law, the statement from the scheme actuary below and on page 52 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 as at 31 December 2020 is currently underway.

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:	[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 is responsible for setting the investment strategies for the EPensionBuilder and ECashBuilder sections of the scheme, which are described in more detail below. The Trustee sets the investment strategy after taking advice from the scheme's investment adviser.

The Trustee is 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 is available to members on www.zpen.info. There were no departures from the SIP in the year.

Financially material considerations

The Trustee considers ESG factors at various steps in its investment process. The Trustee recognises that the choice of benchmark dictates the assets held by the Fund Managers and that the Fund Managers have minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believe the choice of benchmarks will deliver appropriate risk adjusted returns. The Trustee will review the index benchmarks employed for the Scheme on a periodic basis.

The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on factors they believe not to be financially material. The Trustee therefore expects that the Fund Managers will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk

Non-financial matters

Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting their strategic benchmark.

The Trustee does not have a formal policy of soliciting member or beneficiary views on non-financial matters in their investment decision making but will periodically review its position.

Engagement

The Fund Managers' house policies are expected to broadly meet with the Trustee's views, if expectations are not met the Trustee will engage with the Fund Manager.

The Trustee believes it is appropriate for its Fund Managers to engage with key stakeholders which may include corporate management of issuers of debt or equity, regulators and governance bodies, relating to their investments for the Scheme in order to improve corporate behaviours (including the management of actual or potential conflicts of interest), improve performance and strategy and mitigate financial risks (including ESG factors).

The Trustee will review engagement activity undertaken by their Fund Managers as part of its broader monitoring activity periodically. The Trustee believes that such engagement incentivises the Fund Managers to preserve and enhance long term shareholder value of its investments.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each Fund Manager has an appropriate conflicts of interest policy in place. Fund Managers are required to disclose any potential or actual conflict of interest in writing to the Trustee.

Incentives

The Fund Managers are paid for their services based on the value or exposure of the assets they manage for the Trustee.

The Trustee is satisfied that the Fund Managers are remunerated in such a way that they are incentivised to act accordance with the Trustee's policies and in the best interest of the Scheme and its beneficiaries.

Management and Custody of Investments

The Trustee has delegated management of investments to professional investment managers which are listed on page 6. 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.

The Trustee engaged with all of its investment managers during the COVID-19 pandemic. The Trustee was assured of the investment managers' operational capabilities in the lockdown as business continuity plans were activated due to office closures. The Trustee was satisfied with the investment managers' operational performance.

Custodial arrangements

The Trustee 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. PMC 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 ECashBuilder and EPensionBuilder sections invest 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 will prefer to incorporate environmental, social and governance ("ESG") factors into the investment approach. More details on the Trustee's approach to responsible investment ("RI") is available in the SIP.
As EPensionBuilder invests in pooled funds, the Trustee cannot directly influence the RI policies and practices of companies in which the pooled funds invest. However, the Trustee recognises 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 EPensionBuilder provides.

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

Since 2014 the Trustee has used Liability Driven Investments (LDI) to reduce risk. LDI is designed to reduce the volatility of EPensionBuilder's funding level by minimising the impact of movements in factors such as interest rates and inflation that affect the value of EPensionBuilder's assets and liabilities. The Trustee made its first allocation to the LDI funds in July 2015.

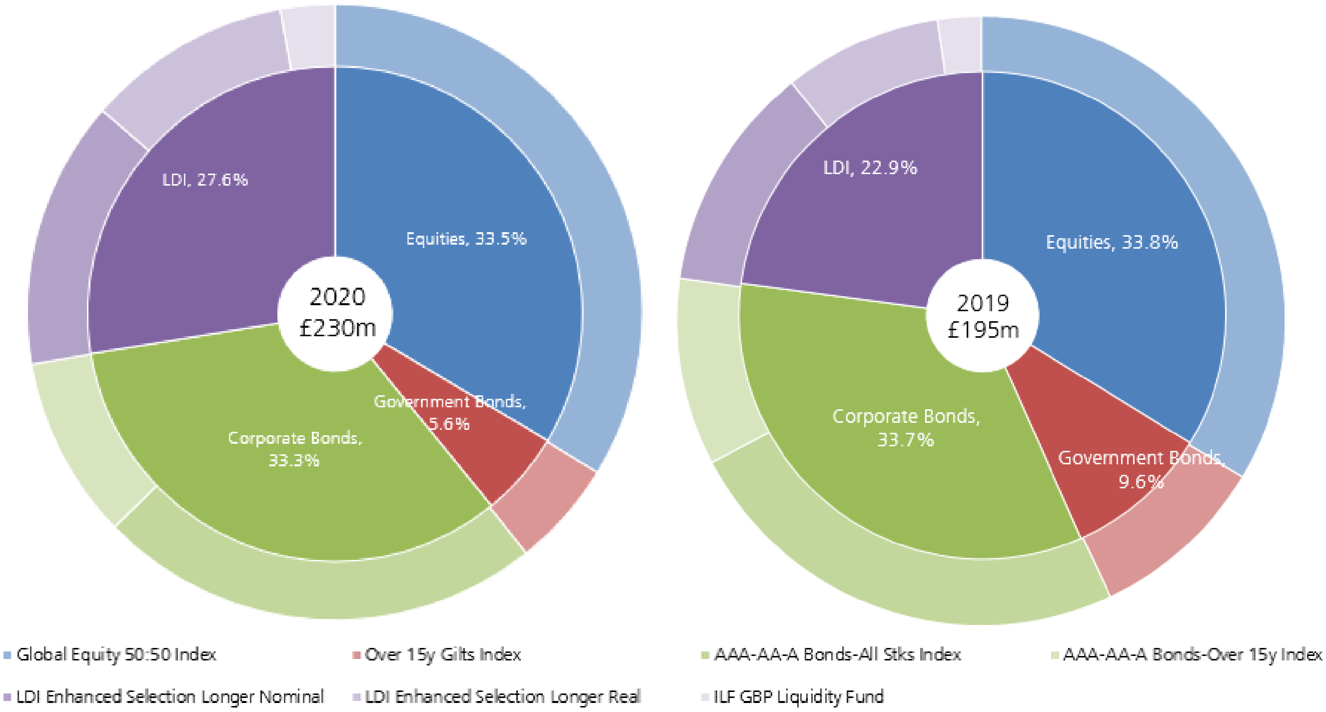
In 2017, the Trustee agreed a three year plan to re-balance investments to address low hedging ratios and the scheme's exposures to interest rate and inflation risks. It involved a gradual increase of the LDI allocation whilst maintaining exposure to the growth assets. The first re-balancing was completed in October 2017 to agree to the Q3 2017 target allocation. The final transaction of the agreed three year plan was completed in June 2020.

COVID-19

Many asset classes suffered from volatility in early 2020 with the markets falling dramatically. With the Trustee being a long-term investor the opportunity to re-balance the portfolio was taken to ensure the asset allocation was within agreed tolerance levels. The markets rebounded during Q2 2020, benefitting the equity portfolio returns. At the scheme year end all of the portfolios were within the agreed range of their target allocation.

EPensionBuilder investments

At the scheme year end the assets were invested in pooled funds as follows:



EPensionBuilder investment performance

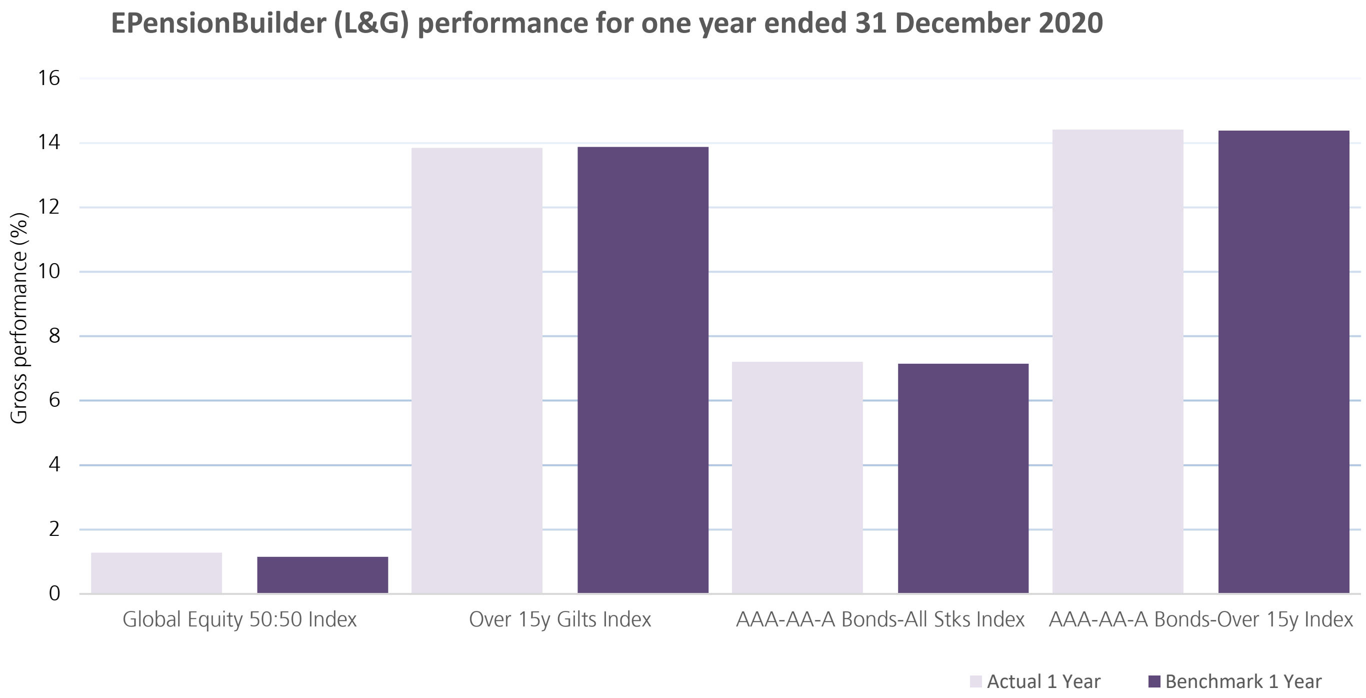
The EPensionBuilder investments are divided into two different types of assets; growth and matching assets. The equities are the growth assets, these increase the expected investment return for EPensionBuilder. The matching assets are designed to reduce the risk exposures of EPensionBuilder. The matching assets are held to match and move with the liabilities and give protection to the overall funding position. Bonds are held in three separate places within EPensionBuilder. Two separate bond funds invest in UK government bonds (gilts) and corporate bonds respectively. The LDI funds primarily hold gilts.

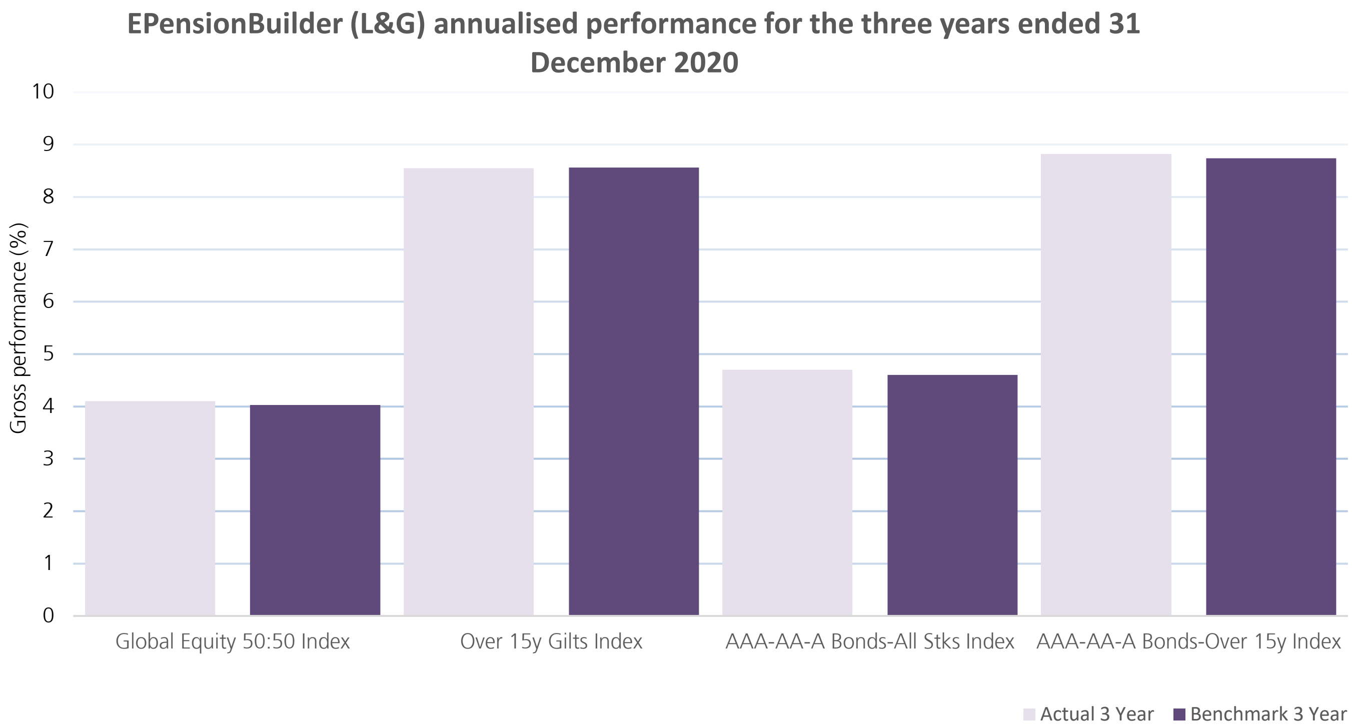
The investments in equities, corporate & government bonds are managed by PMC and are passively managed against the relevant index; this means that the manager ensures that the spread of investments in the fund reflects the relevant market index movements.

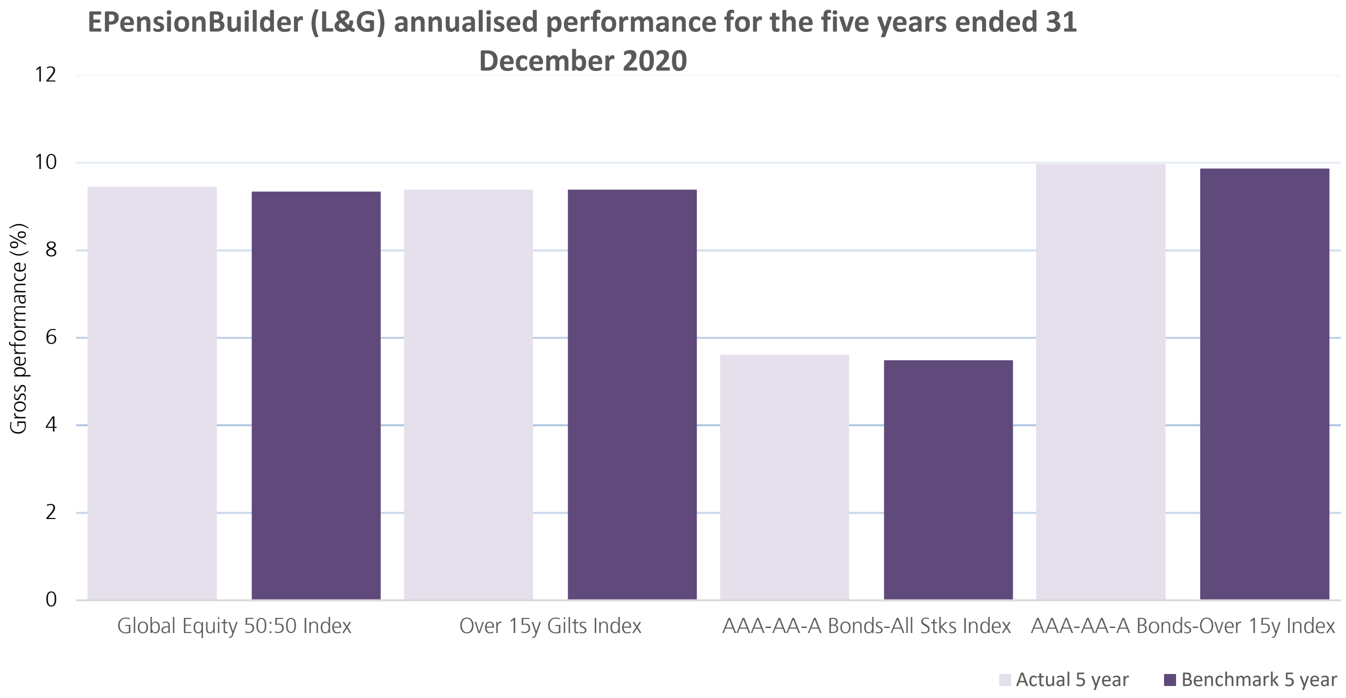
The Insight LDI Enhanced Selection Funds are designed to track the liability cash flows of a typical pension scheme, rather than EPensionBuilder specifically. Their performance is measured against a swaps comparator and a gilt comparator, due to the fact that the manager has discretion over mainly investing in gilts or swaps.

The strategic asset allocation ("SAA") agreed by the Trustee is on page 20. The Trustee monitors the asset allocation on a quarterly basis to ensure assets are invested within agreed SAA ranges. The market volatility as a result of the COVID-19 pandemic had an impact on the performance of all asset classes over the scheme year. The LDI portfolio saw the largest increase primarily due to the decrease in gilt yields. The Trustee has monitored asset performance closely, and as a long-term investor more value is placed on the long-term expectations of asset classes rather than short term performance.

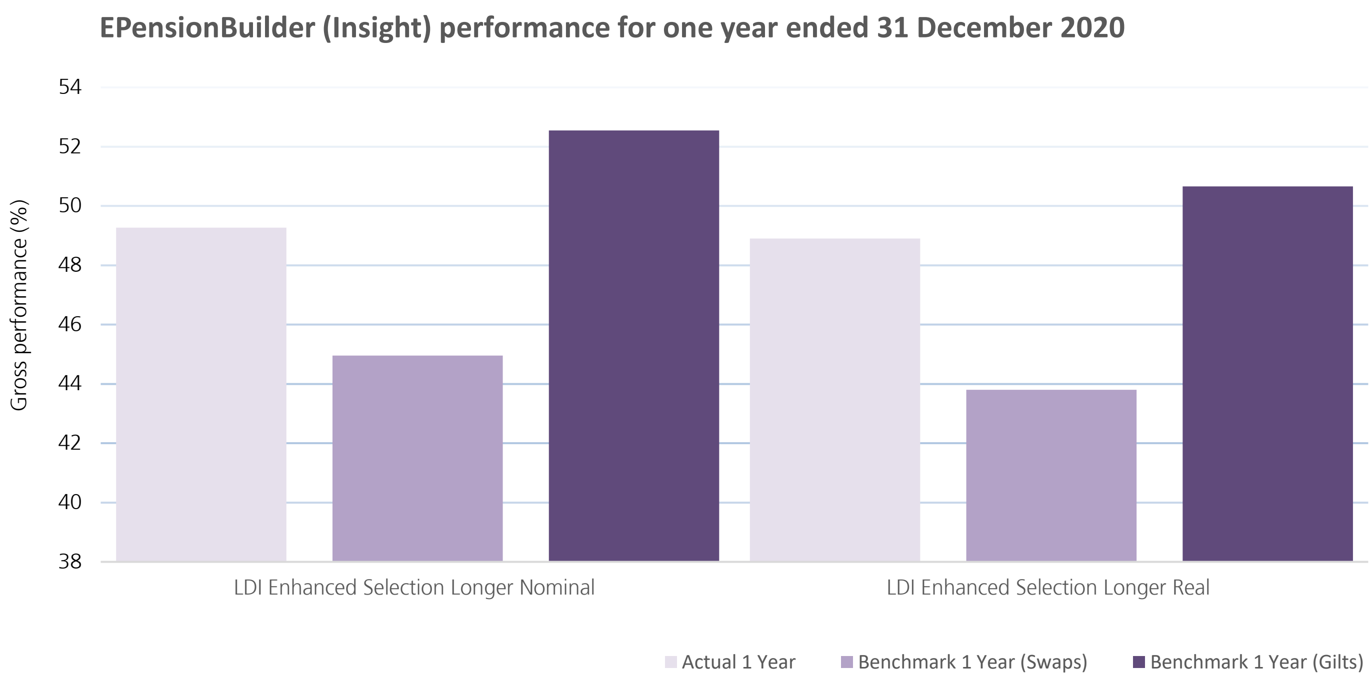
The performance of the funds against the benchmark over the year is shown below.


EPensionBuilder (L&G) performance for one year ended 31 December 2020
16
14
12
10
8
6
4
2
0
Gross performance (%)
Global Equity 50:50 Index
Over 15y Gilts Index
AAA-AA-A Bonds-All Stks Index
AAA-AA-A Bonds-Over 15y Index
Actual 1 Year
Benchmark 1 Year

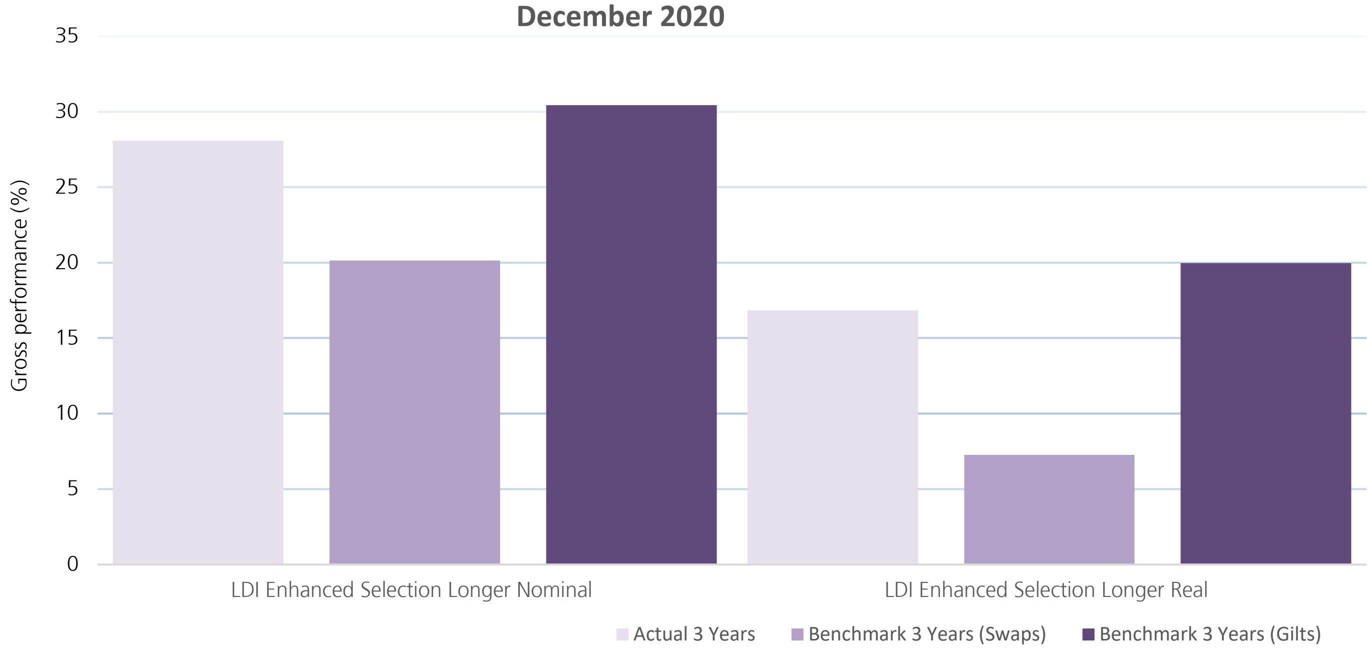

EPensionBuilder (L&G) annualised performance for the three years ended 31 December 2020
10
9
8
7
6
5
4
3
2
1
0
Gross performance (%)
Global Equity 50:50 Index
Over 15y Gilts Index
AAA-AA-A Bonds-All Stks Index
AAA-AA-A Bonds-Over 15y Index
Actual 3 Year
Benchmark 3 Year



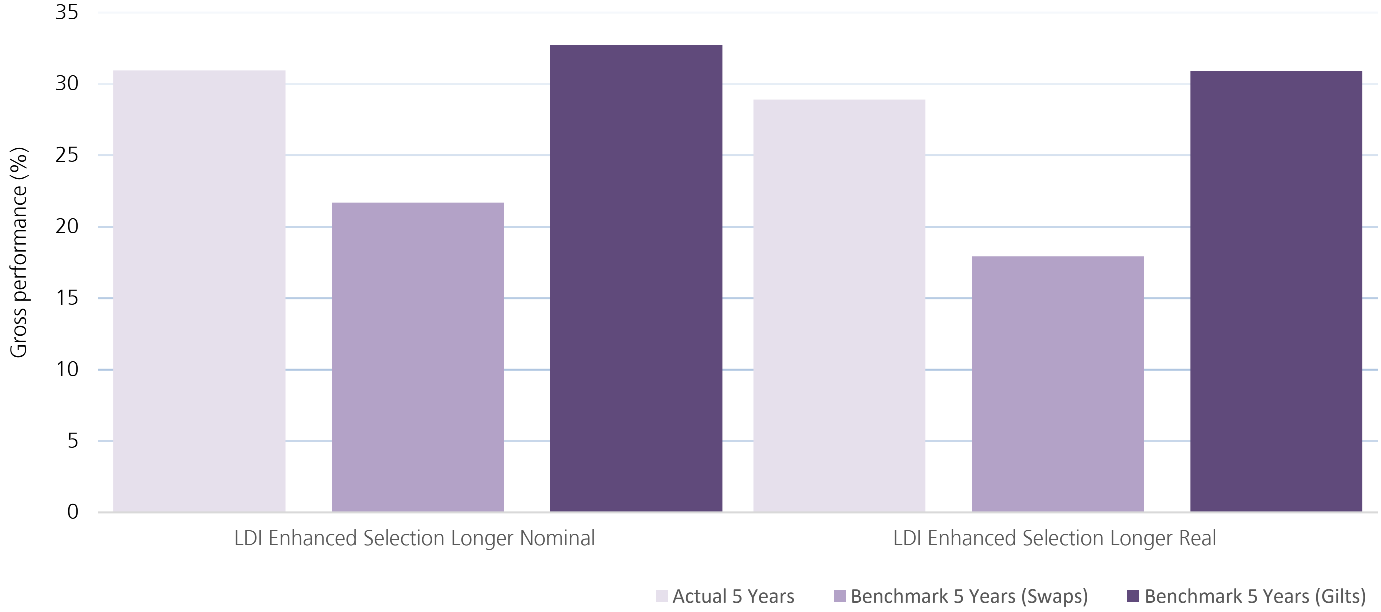
Charges are invoiced on a quarterly basis by Legal and General Assurance (Pensions Management) Limited.



EPensionBuilder (Insight) annualised performance for the three years ended 31 December 2020

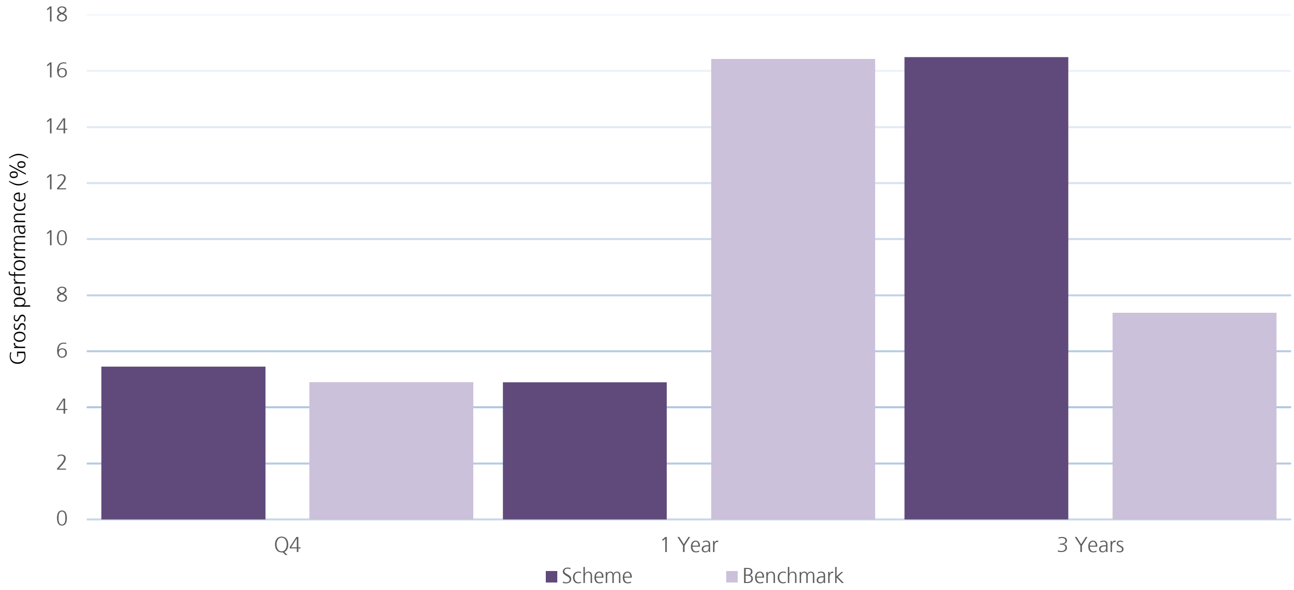


EPensionBuilder (Insight) annualised performance for the five years ended 31 December 2020



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

EPensionBuilder total performance for the one year ended 31 December 2020



ECashBuilder

The Trustee is 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 to 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 ECashBuilder 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 member's chosen retirement 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

ECashBuilder investments

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

Fund	Value, £'000s	Percentage, %
Blended Funds	**18,758**	**96.71%**
EFundBuilder *	18,207	93.87%
EPensionPurchasePot *	0	0.00%
ERetirementLumpSum *	39	0.20%
EFlexibleIncomePot *	512	2.64%
Self-Select Funds	**639**	**3.29%**
SW Aquila Index-Linked Over 5 Year Gilt Index	22	0.10%
SW Aquila UK Equity Index	74	0.38%
SW Aquila World ex UK Equity Index	310	1.60%
SW Threadneedle Global Equity	84	0.43%
SW Managed	15	0.08%
SW Property	6	0.03%
SW Threadneedle UK Corporate Bond	42	0.22%
SW JPM All-Emerging Markets Equity	46	0.24%
Endsleigh HSBC Islamic	1	0.01%
Endsleigh L&G Ethical Global Equity Index	0	0.00%
SW Deposit and Treasury	39	0.20%
Endsleigh Mixed Investments	0	0.00%
Total	**19,397**	**100.00%**

* also available as a self-select fund.

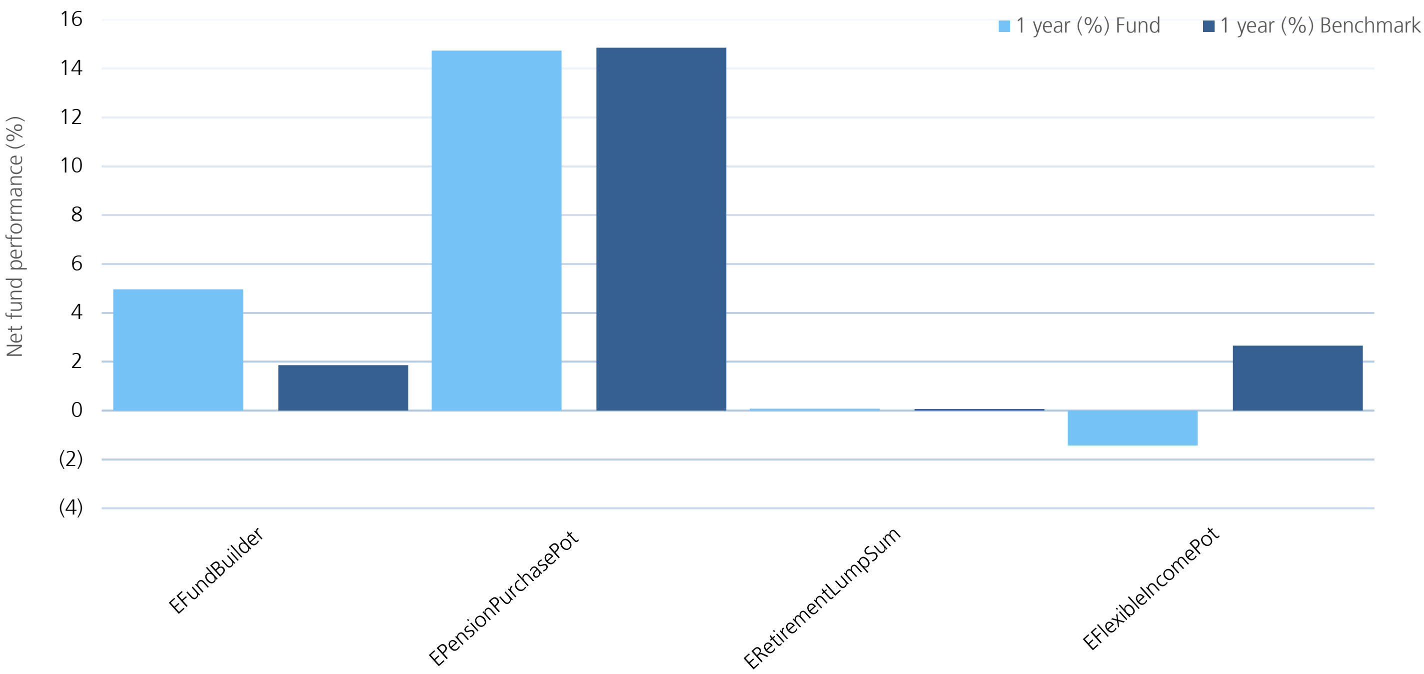
COVID-19

The Pensions Regulator issued a number of guidance notes for trustees which it continued to update as the situation developed. The UK Pensions & Benefits team reviewed this guidance, recorded the scheme's response and reported this to the Trustee. Key actions taken included:

- Monitoring the performance of the administrators, UK Pensions and Benefits, Scottish Widows and RPMI, following the switch to home working
- Assessing the impact of the temporary closure of the property fund. On 25 March 2020 the property fund held by ECashBuilder suspended dealing due to the market volatility. The independent valuer deployed a market uncertainty clause in its valuation in line with RICS guidance. The dealing suspension was lifted on the property fund on 26 October 2020.
- The UK Pensions & Benefits Team keeping up to date with the latest COVID-19 related issues through The Pensions Regulator's website, attending webinars and online events, and from advisers and industry contacts.
- Reassuring members, via a notice on www.zpen.info, that pension investments are a long term investment and that market volatility, like that seen in February and March 2020, tends to be short term.

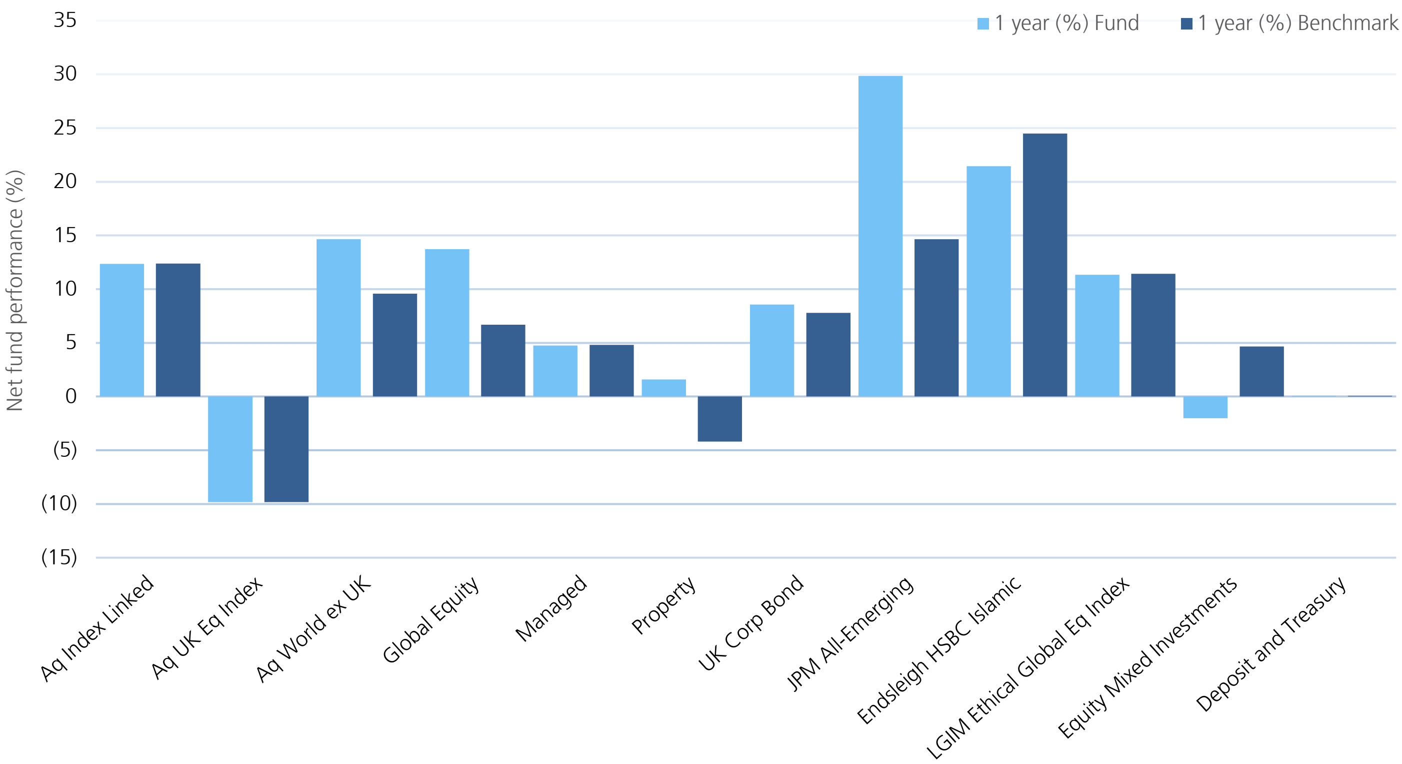
ECashBuilder investment performance for one year ended 31 December 2020

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



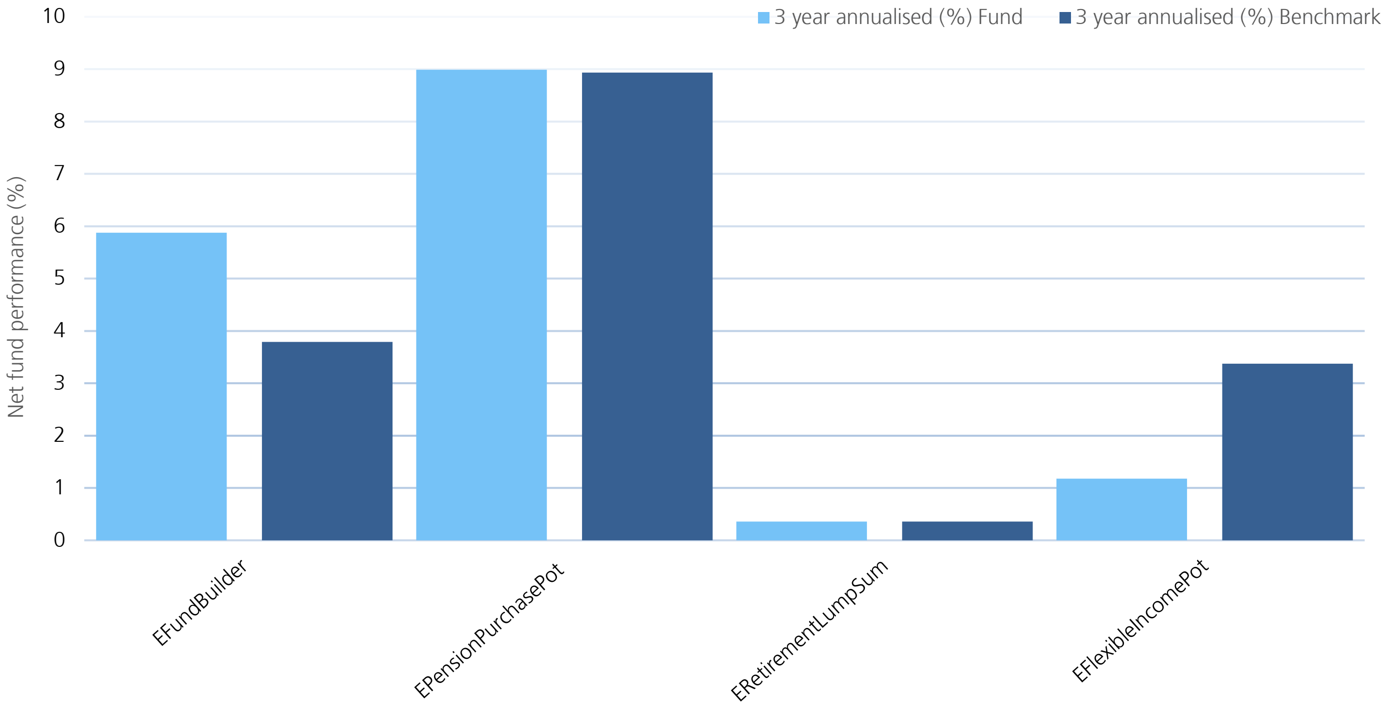
Funds which underperform are subject to fund governance which includes remedial action if underperformance is seen over a number of periods. None of the lifestyle funds above are currently underperforming against the remedial action criteria. The EFlexibleIncomePot fund is exempt from the standard remedial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

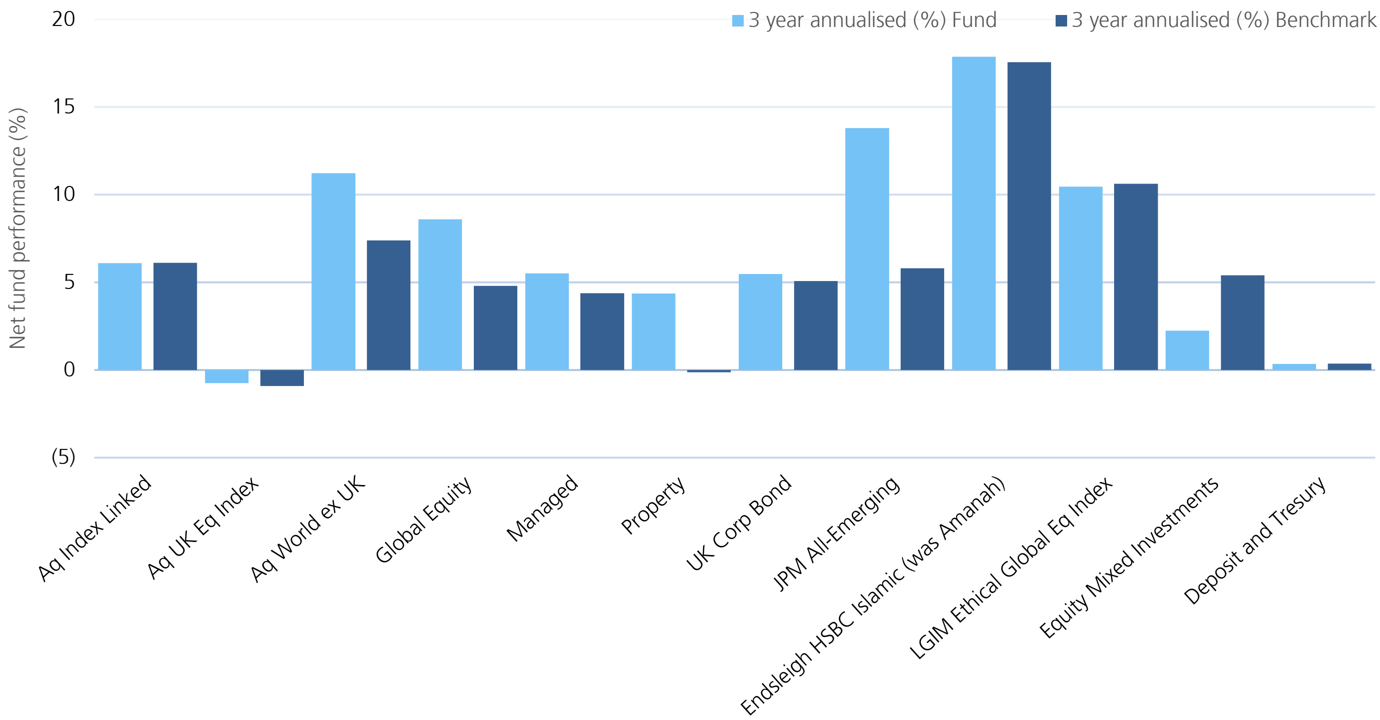


ECashBuilder investment performance for the 3 years ended 31 December 2020

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



The investment performance of the self-select funds against benchmark for three years, is 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 Scottish Widows Ltd.

Chair's Statement regarding DC[3] governance for the year ending 31 December 2020

Summary

Governance requirements apply to defined contribution (DC) pension arrangements to help members achieve a good outcome from their pension savings. The Trustee of the Endsleigh Insurance Services Limited Pension and Assurance Scheme (the "Scheme") is required to produce an annual statement (which is signed by the Trustee Chair) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested;
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment'; and
- Trustee knowledge and understanding.

The statement covers the period from 1 January 2020 – 31 December 2020. More information can be found in the pages that follow.

	Key points:	Rating	Link
Default investment arrangement: The Trustee is required to review the default investment strategies at least every three years and to monitor performance against its investment aims and objectives.	EFundBuilder has outperformed over the 1- and 3-year period, but EFlexibleIncomePot has underperformed its benchmark. The Trustee started a review of the default investment strategies on 11 September 2020 and this is expected to be completed and implemented during 2021.	✓	Default investment
Core financial transactions: The Trustee is required to make sure that core financial transactions (e.g. transfers out) are processed promptly and accurately.	The Trustee receives regular reports from the administrator and monitors performance against agreed service levels. Based on this the Trustee considers that the core financial transactions have been processed promptly and accurately during the scheme year.	✓	Core financial transactions
Value for Members: The Trustee is required to assess the extent to which the charges, and as far as possible transaction costs, paid by the members represent value for money.	The Trustee carried out an assessment using the methodology set out by The Pensions Regulator. This concluded that the scheme provided fair value for members.	✓	Value for members
Trustee Knowledge and understanding: The Trustee directors are required to meet certain standards of knowledge and understanding to ensure they are able to properly exercise their duties as Trustee directors.	The Trustee directors take personal responsibility for keeping themselves up to date with relevant developments and believe that this, combined with the use of advisers and the specialist knowledge available within Zurich's UK Pensions and Benefits team, enables them to properly exercise their duties as Trustee directors.	✓	Trustee knowledge
Governance: The Trustee is required to carry out an annual assessment against The Pensions Regulator's Code of Practice 13 for the governance of DC schemes.	The Trustee carried out an assessment against the Code of Practice 13 which identified that the scheme meets all the legal requirements and the majority of the expectations set out in the Code and associated Guides.	✓	Governance
CONCLUSION: Taking account of all the factors considered, the Trustee believes that the Scheme provides fair value for members and is expected to deliver good outcomes for members at retirement.			

[3] Defined Contribution: a type of money purchase pension scheme where the amount of money going in is fixed according to a given formula (usually a percentage of salary) but the final benefit is not known and depends on how much is paid in and how well the investments have performed, eg ECashBuilder.

Introduction

The Trustee is required to produce an annual statement to describe how it meets certain governance requirements. The Trustee has taken note of the statutory guidance when preparing this statement.

The Scheme provides both defined benefit (DB[4]) and DC benefits. The DC benefits are provided by the section called ECashBuilder.

The Trustee is keen to hear members' views on the scheme and can be contacted via the Scheme secretary at zpenteam@uk.zurich.com.

1 Default investment arrangements

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. Members who joined the Scheme prior to the closure and did not choose an investment option were/ placed in the lifestyle arrangement (the "default arrangement".) and remain there.

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangement. Details of the objectives and Trustee's policies regarding the default arrangement can be found in a document called the 'Statement of Investment Principles' (SIP). The Scheme's SIP is attached to this statement.

During the year ended 31 December 2020 the Trustee reviewed and updated the SIP. The Trustee's investment and legal advisers reviewed the SIP to ensure it continued to comply with current legal requirements and to incorporate the Trustee's Responsible Investment strategy in line with investment regulations. The SIP was updated on 28 September 2020.

The aims and objectives of the default arrangement, as stated in the SIP are as follows:

- to provide a good value default option which
    - is appropriate for the majority of members
    - protects members against volatility in the approach to retirement.

The Trustee must review both the default strategy and the performance of the default arrangement periodically.

The default strategy was last reviewed by the Trustee on 28 September 2015 and the following changes were implemented in January 2016:

- EFundBuilder: a 10% allocation to protection-type assets was introduced
- The default arrangement targeting 75% drawdown and 25% cash at retirement in light of the pension flexibilities.

The Trustee started a more detailed review of the default strategies on 11 September 2020 and this is expected to be completed and implemented during 2021. This review is considering how the default arrangement provides value for members and the performance of the default against the Trustee's aims and objectives.

In addition to the strategy review, the Trustee also reviews the performance of the default arrangement quarterly. The Trustee reviews that took place during the Scheme year concluded that the default arrangement was performing broadly as expected and is consistent with the aims and objectives of the default as stated in the SIP.

2 Requirements for processing core financial transactions

The Trustee has received assurance from the Scheme's administrator (Scottish Widows) and has taken steps to ensure that there were adequate internal controls so that the core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme year. This includes the processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members and beneficiaries.

[4] Defined benefit: a pension scheme where you know what the final benefit is going to be according to a given formula, but the company doesn't know how much it will cost to provide it, eg EPensionBuilder.

The Scheme has a service level agreement (SLA) in place with the administrator which covers the accuracy and timeliness of all core financial transactions. These are split into granular detail with each step being assigned an SLA. The key processes adopted by the administrator to help it meet the SLA are as follows:

- Operating appropriate procedures, checks and controls and operating within the SLA.
- Production of quarterly reports which include reporting on performance against SLAs, and which are reviewed by Zurich's UK Pensions and Benefits team and the Trustee. Any queries are raised with Scottish Widows for further information.
- As a result of the Covid-19 pandemic and the resulting move to home working in March 2020, Scottish Widows had to implement its Business Continuity Plan which was shown to be effective.
- Following the move to home working, Scottish Widows introduced some procedural changes to the bereavement claims process to help the member experience and recognise some of the challenges of remote working. These were agreed with the Trustee before being implemented.

The Trustee receives quarterly reports about the administrator's performance and compliance with the SLA. Based on this information provided by the administrator the Trustee is satisfied that over the period covered by the statement:

- The administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA.
- During the move to home working in March 2020 due to the pandemic, Scottish Widows continued to meet the SLAs for the Scheme.
- 92% of the core financial transactions were processed within the SLA.
- There was 1 administration error in relation to processing core financial transactions, where a transfer-in was accepted and invested. Scottish Widows are investigating how this took place and the options available.

The Trustee monitors the processing of core financial transactions as follows:

- Specific SLAs are in place with Scottish Widows relating to a number of processes, including the core financial transactions.
- Where core financial transactions have been completed outside the SLA, Scottish Widows are asked to provide further information including by how much and why.
- No complaints were received from members in relation to the processing of core financial transactions during the year.
- The Trustee monitors the performance against SLAs for both ECashBuilder and the Scottish Widows team to ensure the Scheme performance doesn't fall below that provided by the team as a whole.

Based on the above the Trustee considers that overall core financial transactions have been processed promptly and accurately during the Scheme year.

3 Member borne charges and transaction costs

The Trustee is required to set out the ongoing charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges also include any costs, eg administration and investment costs, since members incur these costs.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds. These charges and transaction costs have been supplied by Scottish Widows, who are the Scheme's administrator and for some funds, also the investment manager.

There is no missing transaction cost data.

When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

When mentioning charges in this statement we refer to bps, or basis points, which is the measure used in the investment industry. One basis point is one hundredth of a percent or 0.01% of the fund value. This means that 50 bps = 0.5% and 100 bps = 1%.

3.1 Default arrangement

The Scheme's default arrangement is a lifestyle strategy which means that members' assets are automatically moved between different investment funds as they approach their retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which fund they are invested.

For the period covered by this statement, annualised charges and transaction costs are set out in the table below. The member borne charges for the Scheme's default arrangement complied with the charge cap.

Years to target retirement date	Funds	Total member charges (bps)	Transaction cost (bps)
10 or more years to retirement	EFundBuilder	55.1	15.6
5-10 years to retirement	EFundBuilder EFlexibleIncomePot	55.1 68.0	15.6 10.6
3-4 years to retirement	EFlexibleIncomePot	68.0	10.6
2 or less years to retirement	EFlexibleIncomePot ERetirementLumpSum	68.0 45.8	10.6 1.1

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 55.1bps.
The maximum charge that will be levied on the members, if they are invested 100% in the default is a charge of 68bps. This applies to those invested wholly in the EFlexibleIncomePot.

3.2 Self-select options

In addition to the default arrangement, members also have the option to invest in 2 other lifestyle strategies and several other self-select funds.
The annual charges for these lifestyles during the period covered by this statement are set out in the tables below:

Cash Lifestyle Years to target retirement date	Funds	Total member charges (bps)	Transaction cost (bps)
10 or more years to retirement	EFundBuilder	55.1	15.6
5-10 years to retirement	EFundBuilder EFlexibleIncomePot	55.1 68.0	15.6 10.6
3-4 years to retirement	EFlexibleIncomePot	68.0	10.6
1-2 years to retirement	EFlexibleIncomePot ERetirementLumpSum	68.0 45.8	10.6 1.1
Less than 1 year to retirement	ERetirementLumpSum	45.8	1.1

Annuity Lifestyle Years to target retirement date	Funds	Total member charges (bps)	Transaction cost (bps)
10 or more years to retirement	EFundBuilder	55.1	15.6
7-10 years to retirement	EFundBuilder EFlexibleIncomePot	55.1 68.0	15.6 10.6
1-6 years to retirement	EFundBuilder EFlexibleIncomePot EPensionPurchasePot	55.1 68.0 42.1	15.6 10.6 -4.9
Less than 1 year to retirement	EPensionPurchasePot	42.1	-4.9

The level of charges for each self-select fund, including those used in the lifestyle strategies, and the transaction costs over the period covered by the statement are set out in the following table. The underlying funds used within the default arrangement are shown in bold.

Funds	Fund based charge (bps)	Fund manager charge (bps)	Total member charges (bps)	Transaction cost (bps)
EFundBuilder	26.0	29.1	55.1	15.6
EFlexibleIncomePot	33.0	35.0	68.0	10.6
EPensionPurchasePot	33.0	9.1	42.1	-4.9
ERetirementLumpSum	22.0	23.8	45.8	1.1
Aquila UK Equity Index	34.0	7.8	41.8	0.0
Aquila World ex-UK Index	33.0	8.5	41.5	0.0
LGIM Ethical Global Equity Index	36.0	25.0	61.0	0.5
Threadneedle Global Equity	41.0	38.0	79.0	39.7
Aquila Index-Linked Over 5 Year Gilt Index	34.0	7.9	41.9	0.0
Threadneedle UK Corporate Bond	29.0	33.5	62.5	3.5
Zurich Deposit and Treasury	22.0	18.8	40.8	1.1
Zurich Property	20.0	60.1	80.1	6.1
Zurich Managed Fund	11.0	41.6	52.6	8.1
Zurich Mixed Investments Fund	36.0	36.9	72.9	20.0
HSBC Islamic (Shariah)	33.0	35.0	68.0	2.4
JPM All-Emerging Markets Equity	52.0	90.0	142.0	34.8

3.3 Illustration of charges and transaction costs

Over a period of time the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustee has set out below illustrations of the impact of charges and transaction costs on different investment options in the Scheme. The illustrations have been prepared in accordance with the DWP's statutory guidance on 'Reporting costs, charges and other information; guidance for trustees and managers of occupations pension schemes' on the projection of an example member's pension savings.

Default arrangement

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

- The 'before costs' figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
- The illustration is shown for the default arrangement since this is the arrangement with most members invested in it.
- The projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
- Retirement is assumed to be at age 65.
- The starting pot is assumed to be £9,000.
- Inflation is assumed to be 2.5%.
- No further contributions are made.

- The values shown are estimates and are not guaranteed.
- The projected growth rate varies over time as the funds invested change.

This table shows the average projected growth rates for the default 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 the member approaches retirement. The actual return will depend on the funds chosen for each stage and the actual timing of any changes.

Years to retirement	**Projected Growth Rate (average)**
1	0.30% below inflation
3	0.10% below inflation
5	0.00% above inflation
10	0.30% above inflation
15	0.60% above inflation
20	0.70% above inflation
25	0.80% above inflation
30	0.80% above inflation
35	0.90% above inflation

This table shows the development of the projected pot size over time for a sample of ages assuming the pension pot is invested in the Default lifestyle arrangement.

Years	Age now 60		Age now 55		Age now 45		Age now 35		Age now 20	
	Before charges	After charges and costs deducted	Before charges	After charges and costs deducted	Before charges	After charges and costs deducted	Before charges	After charges and costs deducted	Before charges	After charges and costs deducted
1	£9,010	£8,940	£9,090	£9,020	£9,100	£9.030	£9,100	£9,030	£9.100	£9,030
3	£9,020	£8,820	£9,230	£9,030	£9,300	£9,100	£9,300	£9,100	£9,300	£9,100
5	£9.000	£8,660	£9,310	£8,970	£9,520	£9,170	£9,520	£9,170	£9,520	£9,170
10			£9,310	£8.630	£10,000	£9,350	£10.000	£9,350	£10,000	£9,350
15					£10,400	£9,320	£10.600	£9,530	£10,600	£9,530
20					£10,400	£8,970	£11,200	£9,710	£11,200	£9,710
25							£11,600	£9,680	£11,900	£9,900
30							£11,600	£9,320	£12,600	£10,000
35									£13,300	£10,200

Self-select options

These illustrations are for a representative selection of the funds members may invest in. They were selected to reflect the range of projected returns and charges for the available funds.

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

- The 'before costs' figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs, assuming the pension pot is invested fully in the fund shown.
- The projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
- Retirement is assumed to be at age 65.
- The starting pot is assumed to be £9,000.
- Inflation is assumed to be 2.5%.
- No further contributions are made.
- The values shown are estimates and are not guaranteed.

This table shows the projected growth rates for each fund for which an illustration is provided:

Fund	**Projected Growth Rate**
SW Aquila World ex-UK Equity Index CS1	1.9% above inflation
SW Aquila UK Equity Index CS1	1.9% above inflation
SW Aquila IL Over 5 Year Gilt Index CS1	2% below inflation
SW JPM All-Emerging Markets Equity CS1	2.2% above inflation

This table shows the development of the projected pot size over time for a sample of ages assuming the pension pot is invested fully in the fund listed.

Years	SW Aquila World ex-UK Equity Index CS1		SW Aquila UK Equity Index CS1		SW Aquila IL Over 5 Year Gilt Index CS1		SW JPM All-Emerging Markets Equity CS1	
	Before charges	After charges and costs deducted	Before charges	After charges and costs deducted	Before charges	After charges and costs deducted	Before charges	After charges and costs deducted
1	£9,170	£9,130	£9,170	£9,130	£8,820	£8,780	£9,200	£9,040
3	£9,530	£9,410	£9,530	£9,410	£8,480	£8,370	£9,630	£9,130
5	£9.910	£9,700	£9,910	£9,700	£8,150	£7,980	£10,000	£9,220
10	£10,900	£10,400	£10,900	£10,400	£7,390	£7,080	£11,200	£9,450
15	£12,000	£11,300	£12,000	£11,200	£6,690	£6,280	£12,600	£9,690
20	£13,200	£12,100	£13,200	£12,100	£6,060	£5,580	£14,100	£9,940
25	£14,500	£13,100	£14,500	£13,100	£5,490	£4,950	£15,800	£10,100
30	£16,000	£14,100	£16,000	£14,100	£4,980	£4,390	£17,700	£10,400
35	£17,700	£15,300	£17,700	£15,200	£4,510	£3,890	£19,800	£10,700

4 Value for members assessment

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of 'good value' but the Trustee considers that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market.

The Trustee reviews all member-borne charges (including transaction costs where available) annually with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The last review was carried out as at 31 December 2020. The Trustee notes that value for money does not necessarily mean the lowest fee and the overall quality of service received has also been considered in this assessment.

The assessment was undertaken taking account of the Pension Regulator's Code of Practice No 13 (Governance and administration of occupational trust-based schemes providing money purchase benefits) and:

- 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.

The Trustee's advisers have confirmed that the fund charges are fair for the types of fund available to members. In particular, Barnett Waddingham, the Trustee's adviser, has:

- Noted that during a benchmarking exercise as part of the investment review, the charges were not competitive in the market. As a result of this the Trustee is considering options to provide better value for members.
- Confirmed the policies and procedures for monitoring administration are robust and in line with the market.
- Benchmarked the retirement options as in line with the market.

- Noted that the use of an annual newsletter and additional newsflashes during the year provides added value for members.
- Benchmarked the number of funds available and asset classes as in line with the market.
- Confirmed they are supportive of rating the Scheme as providing fair value for members based on their experience of other schemes.

The Trustee assessment included a review of the performance of the Scheme's investment funds after all charges in the context of the investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with the stated investment objectives in particular:

- EFundBuilder, where most members are invested, has outperformed its benchmark and met its objective to provide long term growth through dynamic exposure to a range of diversified assets.
- All other funds have performed at or near the benchmark over the year, with the exception of the ZFlexibleIncomePot which has underperformed over the year and the last 3 years. The fund offers some protection against market falls and to achieve this, invests heavily in defensive assets, (ie government bonds). During the market falls in February and March 2020 as a result of Covid-19 this fund performed as expected, but it has not been able to generate the returns required to meet its benchmark of CPI+2% over the longer term.

In carrying out the assessment, the Trustee also considered the other benefits members receive from the Scheme which include:

- Members benefit from good governance with a strong Trustee board, which includes a professional trustee, and the support of Zurich's UK Pensions and Benefits team with a specialist DC manager. There is a comprehensive risk management framework in place and effective monitoring of the administration service and investment performance.
- 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 previously been assessed by Barnett Waddingham as being higher than in some other arrangements.
- 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 modelling tools and substantial information.
- The member website included a 'Covid-19 Hub' which provided information on a number of topics including how to make a claim, how to avoid scams, and investments in a fluctuation stock market.
- Members benefit from a highly effective administration service and there have been no complaints. Performance against service levels for time critical processes was good with 92% completed within SLA.

As detailed in the earlier section covering processing of financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes. The Trustee believes the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and this is expected to lead to greater investment returns net of fees over time.

Overall, the Trustee believes that members of the Scheme are receiving fair value for money for the charges and costs that they incur. The Trustee is working towards improving the value for members through its investment review which commenced in September 2020 but no changes had been implemented by 31 December 2020.

5 Trustee knowledge and understanding (TKU)

The Scheme's Trustee directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each trustee must:

- be conversant with the trust deed and rules of the Scheme, the Scheme's current statement of investment principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally;
- have, to the degree that is appropriate for the purpose of enabling the individual properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts , the principles relating to the funding of occupational pension schemes and the investment of the assets of such schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

- All Trustee directors are required to maintain a CPD[5] log with a minimum requirement of completing 15 hours per year. All carry out a self-assessment of training needs, usually annually, following which individual discussions with the Chair and the Head of UK Pensions and Benefits take place to identify any additional training needs.
- The Trustee, with the help of its advisers and Zurich's UK Pensions and Benefits team, regularly consider training requirements to identify knowledge gaps, and use in-house expertise and advisers as well as external training programmes and seminars to meet identified training needs
- During the period covered by this statement, the Trustee received training on the following topics:
  - DC investment, in advance of commencing the DC investment review;
  - At retirement options;
  - DB investments and LDI;
  - Actuarial valuations;
  - Responsible investing.
- The training programme is reviewed regularly by the Trustee and Zurich's UK Pensions and Benefits team to ensure it is aligned with the objectives of the Trustee's work plan and addresses knowledge gaps identified by the Trustee directors through self-evaluation.
- All the Trustee directors are familiar with, and have access to copies of, the current Scheme governing documentation, including the Trust Deed and Rules, together with any amendments, and the SIP. In particular, the Trustee refers to the Trust Deed and Rules and trust and pensions law as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments.
- An induction process is in place for new Trustee directors, although none were appointed during the year ending 31 December 2020.
- The Trustee board includes an accredited professional trustee firm that has supported the Scheme for some time and is conversant with the Scheme specifics and documentation, as well as bringing general pension knowledge and experience. Professional trustees are subject to additional regulatory requirements to ensure continually high standards are attained, this includes a minimum of 25 hours relevant learning and development.
- All the Trustee directors successfully completed The Pension Regulator's Trustee Toolkit within the required time after appointment.
- The Trustee advisers attend meetings as required. Zurich's UK Pensions and Benefits team attend all meetings and provide technical and governance support and Scheme secretarial services.
- The Trustee has its own dedicated, secure website where scheme documents, trustee procedures and other useful information, including contact information, meeting agendas and minutes are stored. This enables the Trustee directors to have quick access to the most up to date information relating to the Scheme.

The Trustee directors consider they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

Taking into account the knowledge and experience of the Trustee directors with the specialist advice received from the appointed professional advisers, including investment consultants and legal advisers, the Trustee believes it is well placed to exercise its functions as Trustee of the Scheme properly and effectively.

6 Governance

To assist the Trustee in meeting its governance requirements:

- The Trustee has completed the annual assessment of the Scheme's processes and practices against Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes and the accompanying guidance notes. This identified that the Scheme meets all the legal requirements and the majority of the expectations set out in the Code and associated Guides.

[5] Continuing Professional Development

- A Trustee Governance Handbook has been produced which documents how the Trustee governs the Scheme and provides a framework to signpost all the Trustee’s policies and key documentation.

Every three years the Trustee undertakes a Board Effectiveness Review (BER) to identify areas where the board as a whole requires improvement. Trustee directors, senior members of Zurich’s UK Pensions and Benefits team and external advisers take part in the BER to provide feedback and opinions. The last BER was conducted in 2019.

7 Conclusion

Taking account of all the above, the Trustee believe that the scheme provides fair value for members and is expected to deliver good outcomes for members at retirement. This statement was approved by the Trustee on 30 June 2021 and signed on their behalf by:

Clive Gilchrist

Representing BESTrustees as Chair of Endsleigh Pension Trustee Limited, as Trustee of the Endsleigh Insurance Services Limited Pension and Assurance Scheme.

Looking ahead

This report brings you highlights from the scheme year, but it doesn't end there of course. The Trustee 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 investment strategy is sound.

The Trustee has started work on the triennial valuation as at 31 December 2020 for the EPensionBuilder section of the scheme alongside a review of the long-term investment strategy.

Statement of investment principles (SIP)

In accordance with section 35 of the Pensions Act 1995 the Trustee, after consultation with EFSL, investment managers and advisers, has drawn up SIP governing decisions about investments for the purposes of the scheme, which it reviews on a regular basis. The statement describes the Trustee's investment objectives and how investments are chosen, what kinds of investments it holds, the balance between different types of investment, its approach to risk and how it monitors the investment performance.
The latest SIP dated 28 September 2020 is available on www.zpen.info or on pages 53 to 70.

The Trustee approves pages 4-39 and the disclosures on pages 12-13 and implementation statement on pages 71-81 and are signed on behalf of the Trustee.

Director Clive Gilchrist ……………………………………

Name Clive Gilchrist

Date 30 June 2021

Independent auditors' report to the Trustee of the Endsleigh Insurance Services Limited Pension and Assurance Scheme

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 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the 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 and financial statements, which comprise: the statement of net assets available for benefits as at 31 December 2020; 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 other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the scheme's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all the information in the Annual report and financial statements 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 in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed included:

- Testing of journals where we identified particular risk criteria.

- Obtaining independent confirmations of material investment valuations and cash balances at the year end.

- Reviewing estimates and judgements made in the preparation of the financial statements.

- Reviewing meeting minutes, any correspondence with the Pensions Regulator, contracts and agreements, and holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
Date 30 June 2021

Financial statements

Fund account for the year ended 31 December 2020

£000s	Note	EPB 2020	ECB 2020	Total 2020	EPB 2019	ECB 2019	Total 2019
Contributions and benefits							
Employer contributions	5	**6,500**	**-**	**6,500**	7,797	-	7,797
		6,500	**-**	**6,500**	7,797	-	7,797
Transfers in	6	**5**	**-**	**5**	57	-	57
		6,505	**-**	**6,505**	7,854	-	7,854
Benefits paid or payable	7	**(2,228)**	**(34)**	**(2,262)**	(2,083)	-	(2,083)
Payments to and on account of leavers	8	**(2,462)**	**(597)**	**(3,059)**	(2,708)	(1,191)	(3,899)
		(4,690)	**(631)**	**(5,321)**	(4,791)	(1,191)	(5,982)
Net additions / (withdrawals) from dealings with members		**1,815**	**(631)**	**1,184**	3,063	(1,191)	1,872
Net returns on investments							
Change in market value of investments	9	**32,245**	**881**	**33,126**	30,176	3,156	33,332
Investment management expenses	10	**(159)**	**(47)**	**(206)**	(51)	(48)	(99)
		32,086	**834**	**32,920**	30,125	3,108	33,233
Net increase in the fund		**33,901**	**203**	**34,104**	33,188	1,917	35,105
Net assets of the scheme							
Opening net assets		**202,879**	**19,187**	**222,066**	169,691	17,270	186,961
Closing net assets		**236,780**	**19,390**	**256,170**	202,879	19,187	222,066

Statement of net assets available for benefits as at 31 December 2020

£000s	Note	EPB 2020	ECB 2020	Total 2020	EPB 2019	ECB 2019	Total 2019
Investment assets							
Pooled investment Vehicles	12	**230,397**	**19,397**	**249,794**	195,827	19,167	214,994
Insurance policies	9	**6,370**	**-**	**6,370**	5,758	-	5,758
Total net investments	9	**236,767**	**19,397**	**256,164**	201,585	19,167	220,752
Current assets	18	**876**	**20**	**896**	1,502	20	1,522
Current liabilities	19	**(863)**	**(27)**	**(890)**	(208)	-	(208)
Total net assets available for benefits		**236,780**	**19,390**	**256,170**	202,879	19,187	222,066

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for EPensionBuilder, is dealt with in the report on actuarial liabilities on pages 14 to 17 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 42 to 50 were approved by the Trustee on 30 June 2021 and were signed on its behalf by:

Director Clive Gilchrist ....

Name Clive 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. It is set up under a trust under English law, which ensures a high level of security for members' benefits by legally separating the pension scheme's assets from those of the sponsoring company. The address for enquiries is ZPen Team, UK Pensions and Benefits, PO Box 377, Darlington, DL3 6XY. The registered address for the Trustee remains as The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX.

The scheme has a defined benefit ("DB") section which was closed to new members in 2001 and to future accrual with effect from January 2016, and a defined contribution ("DC") section which was open to new members until the scheme fully closed in March 2018. Before its closure, the scheme 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 2004. 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 the 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, the 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 June 2018) ("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).

a) Contributions

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 company and the Trustee.

b) 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 other registered pension schemes for members who have left the scheme. They are accounted for on an accruals basis on the date the trustees / provider of the receiving plan accepts the liability. In the case of individual transfers this is normally when the payment of the transfer value is made.

c) Other expenses and income

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

d) Benefits

Where members can choose whether to take their EPensionBuilder 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) 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, the change in market value also includes income, net of withholding tax, which is reinvested in the fund.

f) Investments

Pooled investment vehicles are stated at the closing bid price at the scheme 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.

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,

Financial statements (continued)
Notes to the financial statements

making estimates and judgments on a reasonable and prudent basis. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the investments and, in particular, those classified in Level 3 of the fair-value hierarchy. The level 2 investment values is driven by open market values, and thus is not considered a critical accounting estimate due to the way the overall value is derived.

Annuities are valued annually by the Scheme's Actuary using the funding basis assumptions from the most recent triennial valuation shown on pages 15-16. The assumptions are rolled forward from the triennial valuation and updated for market conditions at the reporting date.

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Financial statements (continued)

Notes to the financial statements (continued)

5 Contributions

£000s	EPB 2020	ECB 2020	Total 2020	EPB 2019	ECB 2019	Total 2019
Employer contributions						
Deficit funding	**6,500**	**-**	**6,500**	7,797	-	7,797
	6,500	**-**	**6,500**	7,797	-	7,797

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

6 Transfers in

£000s	EPB 2020	ECB 2020	Total 2020	EPB 2019	ECB 2019	Total 2019
Transfers in	**5**	**-**	**5**	57	-	57
	5	**-**	**5**	57	-	57

Transfers in are in respect of benefits built up in the new Endsleigh pension arrangements from April 2018 (following the sale of the Endsleigh Group of companies to A-Plan) for members with EPensionBuilder benefits. This concession was agreed as part of the closure of the scheme.

7 Benefits paid or payable

£000s	EPB 2020	ECB 2020	Total 2020	EPB 2019	ECB 2019	Total 2019
Pensions	**(1,716)**	**-**	**(1,716)**	(1,634)	-	(1,634)
Commutations and lump sum retirement benefits	**(500)**	**(14)**	**(514)**	(449)	-	(449)
Lump sum death benefits	**(12)**	**(20)**	**(32)**	-	-	-
	(2,228)	**(34)**	**(2,262)**	(2,083)	-	(2,083)

8 Payments to and on accounts of leavers

£000s	EPB 2020	ECB 2020	Total 2020	EPB 2019	ECB 2019	Total 2019
Payments to and on accounts of leavers	**(2,462)**	**(597)**	**(3,059)**	(2,708)	(1,191)	(3,899)
	(2,462)	**(597)**	**(3,059)**	(2,708)	(1,191)	(3,899)

9 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	151,243	13,000	(9,000)	11,298	166,541
Insight	44,584	9,500	(10,563)	20,335	63,856
Insurance Policies	5,758	-	-	612	6,370
EPensionBuilder	**201,585**	**22,500**	**(19,563)**	**32,245**	**236,767**
Pooled investment vehicles:					
Scottish Widows Ltd	19,167	28	(679)	881	19,397
ECashBuilder	**19,167**	**28**	**(679)**	**881**	**19,397**
Total net investments	**220,752**	**22,528**	**(20,242)**	**33,126**	**256,164**

Financial statements (continued)

Notes to the financial statements (continued)

10 Investment Management Expenses

£000s	EPB 2020	ECB 2020	Total 2020	EPB 2019	ECB 2019	Total 2019
Management Fees	**(159)**	**-**	**(159)**	(51)	-	(51)
Charges deducted by way of cancellation of member units	**-**	**(47)**	**(47)**	-	(48)	(48)
	(159)	**(47)**	**(206)**	(51)	(48)	(99)

11 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.

12 Pooled Investment Vehicles

A summary of pooled investment vehicles by type of arrangement is as follows:

£000s	Opening Value	Purchases at cost	Sale proceeds	Change in market value	Closing Value
Unit Linked insurance contracts	151,243	13,000	(9,000)	11,298	166,541
Open ended investment companies	44,584	9,500	(10,563)	20,335	63,856
EPensionBuilder	**195,827**	**22,500**	**(19,563)**	**31,633**	**230,397**
Unit Linked insurance contracts	19,167	28	(679)	881	19,397
ECashBuilder	**19,167**	**28**	**(679)**	**881**	**19,397**
Total net investments	**214,994**	**22,528**	**(20,242)**	**32,514**	**249,794**

The scheme's investments in pooled investment vehicles at the year-end compromised:

Amount in £'000	EPB 2020	ECB 2020	Total 2020	EPB 2019	ECB 2019	Total 2019
Equities	**77,704**	**14,362**	**92,066**	65,704	14,149	79,853
Bonds	**88,837**	**2,015**	**90,852**	64,050	2,050	127,648
Property	**-**	**2,556**	**2,556**	-	2,527	2,527
LDI	**57,320**	**-**	**57,320**	61,548	-	61,548
Cash	**6,536**	**464**	**7,000**	4,525	441	4,966
Total	**230,397**	**19,397**	**249,794**	195,827	19,167	214,994

On 25 March 2020 the property fund held by ECashBuilder suspended dealing due to the market volatility. The independent valuer deployed a market uncertainty clause in its valuation in line with RICS guidance. The dealing suspension was lifted on the property fund on 26 October 2020.

13 Insurance policies-annuities

The Trustee holds insurance policies with Legal and General which provide annuity income to cover pensions for certain members. Annuities are valued annually by the scheme actuary using the funding basis assumptions from the most recent triennial valuation shown on pages 15-16.

14 ECashBuilder Investments

Investments purchased by the Trustee 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 Scottish Widows Ltd. The scheme administrator allocate investment units to members. The total investment figure includes £19,397k allocated to members (2019: £19,167k).

Financial statements (continued)

Notes to the financial statements (continued)

15 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 Amount in £'000	1	2	3	2020 Total
EPensionBuilder section				
Pooled investment vehicles	-	230,397	-	230,397
Insurance policies	-	-	6,370	6,370
ECashBuilder section				
Pooled investment vehicles	-	19,397	-	19,397
	-	**249,794**	**6,370**	**256,164**

Category Amount in £'000	1	2	3	2019 Total
EPensionBuilder section				
Pooled investment vehicles	-	195,827	-	195,827
Insurance policies	-	-	5,758	5,758
ECashBuilder section				
Pooled investment vehicles	-	19,167	-	19,167
	-	**214,994**	**5,758**	**220,752**

16 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.
- **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.

Financial statements (continued)

Notes to the financial statements (continued)

EPensionBuilder section

Investment strategy

The Trustee determines its 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 Trustee invests in pooled investment vehicles and is therefore directly and indirectly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles (2020: £230.4m, 2019: £195.8m). EPensionBuilder is indirectly exposed to credit risk arising on the financial instruments held by the pooled investment vehicles.

The Trustee'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 (2020: 0.1% - 0.2%). 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 carries out due diligence checks on appointment of new pooled investment managers and on an on-going basis monitors any changes to the operating environment of the pooled manager. Pooled investments of EPensionBuilder comprise managed funds and insurance policies.

Credit risk has been monitored closely by the Trustee in light of the COVID-19 pandemic, the majority of credit risk is held within the bond asset class. Further information on the actions the Trustee has taken to monitor the elevated credit risk levels are shown on page 18.

Currency risk

The Trustee has indirect exposure to currency risk because some of the investments are held in overseas markets via pooled investment vehicles. The Trustee has set a benchmark target to overseas currency exposure of 17% (£38.9m) of the total portfolio (2019 £32.8m).

Interest rate risk

The Trustee is subject to interest rate risk because some of the EPensionBuilder investments are held in bonds and LDI investments which invest in swaps, gilts and repurchase agreements (2020: £63.9m 2019: £44.6m). The Trustee has set a benchmark target 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 27.6% of the total investment portfolio (2019: 22.8%)

Other price risk

Other price risk arises principally in relation to EPensionBuilder's return seeking assets which includes equities held in pooled investment vehicles. The Trustee has set a target asset allocation of 32% with a tolerance limit of +/- 5% (2020: £77.7m, 2019: £65.7m) of investment being held in return seeking investments.
The Trustee 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 Trustee's objective is to make available to members of ECashBuilder an appropriate range of investment options designed to generate income and capital growth providing a retirement amount with which the member can purchase pension benefits (or other type of retirement product). The SIP outlines the investment objectives and strategy for the ECashBuilder assets of the scheme.

The investment funds offered to members include white labelled funds provided by Scottish Widows Ltd. These funds are specifically created for ECashBuilder and are made up of other funds available through Scottish Widows Ltd's platform. The list of white labelled funds is as follows:

- EFlexibleIncomePot
- EFundBuilder
- EPensionPurchasePot
- ERetirementLumpSum

The Trustee, together with the aid of its 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 Trustee monitors the underlying risks using quarterly investment reports provided by Scottish Widows Ltd.

The risks disclosed here relate to the ECashBuilder 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

ECashBuilder (2020: £19,397k, 2019: £19,167k) is subject to direct and indirect credit and market risk arising from the underlying investments held in Unit Linked insurance contracts. Member level risk exposures will be dependent on the funds invested in by members.

Market Risk

ECashBuilder (2020: £19.4m, 2019: £19.2m) 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.

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

17 Concentration of investments

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

£000s	2020 Value	%	2019 Value	%
Global Equity 50:50 Index	77,704	30.3%	65,704	32.8%
AAA-AA-A Bonds-All Stks Index	53,895	21.0%	47,566	23.8%
LDI Enhanced Selection Longer Nominal	32,461	12.7%	23,648	11.8%
LDI Enhanced Selection Longer Real	24,858	9.7%	16,410	8.2%
AAA-AA-A Bonds-Over 15y Index	22,058	8.6%	19,436	9.7%
EFundBuilder ZP	18,207	7.1%	17,986	9.0%
Over 15y Gilts Index	12,885	5.0%	18,537	9.3%
Total	**242,068**		**209,287**	

18 Current assets

£000s	EPB 2020	ECB 2020	Total 2020	EPB 2019	ECB 2019	Total 2019
Cash Balances	**876**	**20**	**896**	1,502	20	1,522
	876	**20**	**896**	1,502	20	1,522

19 Current liabilities

£000s	EPB 2020	ECB 2020	Total 2020	EPB 2019	ECB 2019	Total 2019
Other Creditors	**(72)**	**-**	**(72)**	(109)	-	(109)
Unpaid Benefits	**(544)**	**(27)**	**(571)**	(99)	-	(99)
ZES customer account	**(247)**	**-**	**(247)**	-	-	-
	(863)	**(27)**	**(890)**	(208)	-	(208)

20 Contractual commitments and contingent liabilities

There were no significant contractual commitments or contingent liabilities at 31 December 2020 (2019: nil).

21 Related party transactions

Key management personnel

BESTrustees plc received fees of £25k (2019: £31k) during the year in respect of duties as independent Trustee director.

Employer and other related parties

All scheme expenses, except for ECashBuilder administration costs and the EPensionBuilder asset management fees, are met by EFSL. The asset management fees are initially settled by Zurich Employment services Ltd and then recharged to the Scheme on the quarterly basis. Amounts due to be settled as at 31 December 2020 are disclosed in note 19 as ZES customer account.

22 Subsequent events

There are no subsequent events to report.

23 Employer-related investments

The ECashBuilder and EPensionBuilder arrangements include indirect investments in the Zurich Group through pooled investment vehicles accounting for less than 0.1% of the scheme's assets. (2019: less than 0.1%).

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

Statement about contributions

Opinion

In our opinion, the contributions required by the schedule of contributions for the scheme year ended 31 December 2020 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 schedule of contributions certified by the scheme actuary on 25 March 2019.

We have examined Endsleigh Insurance Services Limited Pension and Assurance Scheme's summary of contributions for the scheme year ended 31 December 2020 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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
Date 30 June 2021

Summary of contributions payable during the year

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

Amount in £'000	EPB 2020	ECB 2020	Total 2020
Required by the schedule of contributions			
Deficit reduction	6,500	-	**6,500**
Total per fund account	**6,500**	**-**	**6,500**

The actuary's certificate confirming the adequacy of the contribution rate is shown below.

The summary of contributions on this page was approved by the Trustee on 30 June 2021 and is signed on its behalf by:

Director Clive Gilchrist……………………..…………

Name Clive 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 St James's Square Cheltenham Gloucestershire GL50 3PR	Employer:	Barnett Waddingham LLP

ENDSLEIGH INSURANCE SERVICES LTD PENSION & ASSURANCE SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

MADE AS AT 28 SEPTEMBER 2020

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 Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 ("the Investment Regulations"). The statement is intended to describe the general approach of the Trustee to investment matters as they impact on the Scheme.

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. This Statement has been prepared in accordance with all relevant legislative in force at the date of approval. It outlines the principles and policies governing investment decisions made by, or on behalf of the Trustee for the management of the Scheme's assets and the Trustee's policy for complying with Sections 35 and 36 of the Pensions Act 1995 and subsequent legislation.

1.4. The Scheme has two sections, a Defined Benefit Section (EPensionBuilder) and a Defined Contribution Section (ECashBuilder)

1.5. This Statement will be reviewed by the Trustee at least every three years, and may require amendment as general investment conditions alter and as the liabilities of the Defined Benefit Section, or the membership profile of the Defined Contribution Section change over time. Changes should only be made after due and proper consideration of the circumstances.

1.6. Before making or revising this statement the Trustee will obtain and consider the written advice from Barnett Waddingham LLP who is the Trustee's appointed Investment Adviser ("the Adviser") to ensure its contents are appropriate to the circumstances of the Scheme. The Trustee also consults EFS Financial Services Limited ("the Employer") as to the contents of this statement as well as any material change to its investment strategy not explicitly described in 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 Employer, 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 takes the overall strategic investment decisions, recognising that implementing an investment strategy requires specialist knowledge and understanding.

2.2.2. 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.

2.2.3. 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.

2.2.4. In particular, the selection of particular investments is left to the Fund Managers.

2.2.5. 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.

2.2.6. 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.

2.2.7. 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 Fund Manager(s)'s actions, in so far as reasonably practicable.

2.2.8. 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").

2.2.9. 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 Conduct Authority.

2.2.10. The Trustee has appointed Insight Investment Management (Global) Limited (the "LDI Manager") to manage the liability driven investment (LDI) strategy of the Scheme. The investment comprises units in a pooled fund.

2.2.11. Collectively, and for the purposes of this document, the Manager and LDI Manager are referred to as "Fund Managers".

2.2.12. The Adviser 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 then sterling) then such advice is sought and confirmed in writing. The Trustee considers such advice before making their decisions.

2.2.13. 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) an 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. The Trustee may impose restrictions on the proportions held in various kinds of investments. Details of any such restrictions are made known in writing to each Fund Manager and are contained in the relevant investment guidelines.

2.4. The balance between different kinds of investment

2.4.1. 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. 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 will review the balance of investments periodically to ensure it continues to be appropriate for the Scheme's objectives.

2.5. Risk

2.5.1. The funding risk within a DB Scheme sits with the Employer.

2.5.2. Using an integrated risk management (IRM) approach, in consultation with the Employer, the Trustee takes an overall approach to managing this risk. The IRM approach considers how covenant, funding and investment risk are all linked and inter-dependent

2.5.3. The Trustee has considered all of the risks it is exposed to and ways of measuring and managing risks when designing the investment strategy.

2.5.4. 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. The strategy is designed to maximise the probability of meeting the objectives whilst aiming to control those factors which may result in the objective not being met.

2.5.5. In arriving at the investment strategy, the Trustee therefore considers the following risks:

Risk	Definition	How we address the risk
Changing demographics risk	The uncertainty in the actual future benefits to be paid to members, for example related to member life expectancy or the way in which members take their benefits	• The demographic assumptions are kept under review, this is formally considered during the valuation process every 3 years.
Climate risk	The extent to which climate change causes a material decrease in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy	• Engagement with the Adviser and Fund Managers to understand the potential implications for the Scheme's assets.
Concentration risk	The failure of some of the investments that constitute a significant proportion of the assets	• The Fund Managers invest in a range of different asset classes and in different securities in each class. • The Trustee and its advisers monitor the Fund Manager's activity to ensure that it remains appropriate.
Covenant risk	The employer is no longer able to support the Scheme.	• The Trustee receives regular updates from the Employer • An external covenant review takes place as part of the triennial valuation • Investment strategy and funding proposals consider the strength of the covenant.
Credit risk	That one party to a financial instrument will cause financial loss for the other party by defaulting or falling in value.	• Diversification of the Scheme's assets
Currency risk	The currency of the Scheme's assets underperforms relative to Sterling leading to losses (or gains) in the value of the asset.	• Currency risk is monitored on a regular basis • If there is ever a requirement to reduce currency risk, the Scheme would collaborate with the Fund Managers.
Custodian risk	Actions by or insolvency of the custodian could prejudice the ability of the Scheme to meet its liabilities	• The Trustee has delegated all duties relating to the day to day investment management of the portfolio including oversight of custody to the Fund Managers.
ESG (Environmental, social and governance) risk	The need to consider environmental, social and governance factors (including, but not limited to, climate change) which the Trustee considers to be financially material, over the timescale relevant to the funding of Scheme benefits, for which those assets are held	• Due to the passive nature of the investments in Funds, the Trustee is not able to influence ESG considerations taken at Fund level • The Trustee monitors the ESG activities of its Fund Managers and will engage periodically • Each Fund Manager is expected to undertake good stewardship and positive engagement in relation to the assets held. • The Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.

Equity risk	The risk that equities may fall in value due to fluctuations in the market	• The Trustee has set a strategic asset allocation benchmark, the risk/return of each asset class within the benchmark is reviewed periodically. • Assessment of the risk relative to liabilities by monitoring the actual return from the assets against the liabilities.
Financial mismatch risk	Scheme assets fail to grow in line with the developing cost of meeting the liabilities	• The Trustee has set a strategic asset allocation benchmark, the risk/return of each asset class within the benchmark is reviewed periodically. • Assessment of the risk relative to liabilities by monitoring the actual return from the assets against the liabilities.
Fund Manager risk	A Fund Manager underperforms against the benchmark which they are being assessed against in the long term or fails to comply with the Investment Management Agreement.	• Performance of the Fund Managers is monitored on a regular basis • Regular meetings are held with the Fund Managers • Compliance with the regulatory requirements is monitored on a regular basis • The Trustee has adopted a passive investment style for the majority of the Scheme's assets that minimises the risk from underperformance by the Fund Managers. This approach also significantly reduces the costs of investment management.
Inflation risk	An increase in inflation would mean the real investment return could be reduced and fail to keep pace with the Scheme's requirement to pay inflation linked benefits	• The Trustee invests in liability driven investment (LDI) Funds that seeks to manage interest rate and inflation liability risks
Interest rate risk	A fall in interest rates causes the present value of liabilities to rise	• The Trustee invests in LDI Funds that seeks to manage interest rate and inflation liability risks
Liquidity risk	The need to have sufficient liquidity to cover benefits or other financial obligations in the short-term	• The Trustee has defined a clear process with its LDI Fund Manager to manage potential liquidity requirements from the LDI Fund
Operational risk	The loss or error arising from the failure of people, processes and systems, or disruption due to an external event	• Appropriate processes and controls are integrated into business activities • Key controls include segregation of duties, supervisory controls and managerial oversight and review. • Business continuity plans are in place
Political risk	The level of concentration in any one market leading to the risk of a negative influence on investment values arising from political intervention of other events	• Diversification of the Scheme's assets • The Trustee assesses political risk relative to the investment strategy.
Systemic risk	The possibility of an interlinked and simultaneous failure of several asset classes and/or Fund Managers, possibly compounded by financial contagion, resulting in an increase in the cost of meeting the liabilities	• Diversification of the Scheme's assets. • The Trustee acknowledges it is not possible to address all possible scenarios presented within this risk category.
Any other risk as the Trustee deems appropriate with relevant input from the Adviser and other parties.		

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 the LDI Manager being replaced.

2.7. The realisation of investments

2.7.1. The Trustee will consider 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. 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 all the assets be sold immediately. 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. Responsible investments

2.8.1. The Trustee accepts its fiduciary duties as a long term investor and believes that incorporating ESG factors into investment decisions improves long term risk adjusted returns over the remaining expected lifetime of the Scheme. The Trustee further recognises that ESG factors may, however, be outweighed in appropriate circumstances by other financially material factors.

2.8.2. Selecting Fund Managers

The Trustee always aims to appoint the most suitable Fund Manager for each investment mandate. The selection process includes the Fund Manager's responsible investment practices and consideration of ESG factors.

2.8.3. Financially material considerations

The Trustee considers ESG factors at various steps in its investment process. The Trustee recognises that the choice of benchmark dictates the assets held by the Fund Managers and that the Fund Managers have minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believe the choice of benchmarks will deliver appropriate risk adjusted returns. The Trustee will review the index benchmarks employed for the Scheme on a periodic basis.

The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on factors they believe not to be financially material. The Trustee therefore expects that the Fund Managers will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk

2.8.4. Stewardship

Where applicable, Fund Managers report on voting activity to the Trustee on at least an annual basis. The Trustee will monitor Fund Managers' voting activity and may periodically review Fund Managers' voting patterns. The Trustee will be reliant on the information presented by the Fund Managers regarding votes cast and identification of voting patterns.

The Trustee aims to meet with all their Fund Managers periodically. Fund Managers are challenged on the impact of any significant issues including, where appropriate, ESG factors and voting policies.

2.8.5. Engagement

The Fund Managers' house policies are expected to broadly meet with the Trustee's views, if expectations are not met the Trustee will engage with the Fund Manager.

The Trustee believes it is appropriate for its Fund Managers to engage with key stakeholders which may include corporate management of issuers of debt or equity, regulators and governance bodies, relating to their investments for the Scheme in order to improve corporate behaviours (including the management of actual or potential conflicts of interest), improve performance and strategy and mitigate financial risks (including ESG factors).

The Trustee will review engagement activity undertaken by their Fund Managers as part of its broader monitoring activity periodically. The Trustee believes that such engagement incentivises the Fund Managers to preserve and enhance long term shareholder value of its investments.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each Fund Manager has an appropriate conflicts of interest policy in place. Fund Managers are required to disclose any potential or actual conflict of interest in writing to the Trustee.

2.8.6. Non-financial matters

Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting their strategic benchmark.

The Trustee does not have a formal policy of soliciting member or beneficiary views on non-financial matters in their investment decision making but will periodically review its position.

2.9. Performance Measurement

2.9.1. The Trustee has agreed, based on advice from the Adviser and the other appropriately qualified experts, the benchmark against which the performance of each of the Fund Manager is measured.

2.9.2. The Trustee regularly monitors actual performance against the benchmarks set. The Trustee would not expect to replace a Fund Manager based on short term underperformance as the focus is on longer term outcomes; this aligns with the Trustee's beliefs on corporate governance.

2.9.3. An agreement with a Fund Manager could cease within a short time frame due to other factors such as a significant change in business structure or the investment team.

2.9.4. The Trustee will review on a regular basis the investment performance of the Scheme's assets together with the continuing suitability of the Fund Managers.

2.10. Fund Managers

2.10.1. Turnover

In the normal course of events the Fund Managers will sell investments from time to time to be replaced by others. The Trustee monitors the turnover and the transaction costs that are generated to ensure it is not excessive. The Fund Managers are aware that the expenses involved in transactions can affect performance and that excessive transactions may give rise to an income tax liability if it were to be regarded as trading by HM Revenue & Customs.

There are no specific targets set by the Trustee on transaction costs, the Trustee will monitor that the level of transaction costs are relative to the Fund Managers' strategy and adhere to the Scheme's investment strategy.

2.10.2. Duration

The agreements between the Trustee and its Fund Managers will continue through until the Scheme's life comes to an end, or until the lifespan of the investment ceases. The Trustee or the Fund Manager may take measures to end the agreement, subject to any relevant notice periods.

2.10.3. Incentives

The Fund Managers are paid for their services based on the value or exposure of the assets they manage for the Trustee.

The Trustee is satisfied that the Fund Managers are remunerated in such a way that they are incentivised to act accordance with the Trustee's policies and in the best interest of the Scheme and its beneficiaries.

3. ECashBuilder

The section contains:

3.1. Statement of the aims and objectives for the default investment arrangements
3.2. Statement of the aims and objectives for investment options outside the default arrangements and
3.3. Statement of investment beliefs, risks and policies

Sections 3.1. and 3.3. comprise the Statement of Investment Principles for the Scheme's default arrangements.

3.1. Statement of the aims and objectives for the default investment arrangements

3.1.1. The Trustee offers the following default strategies:

- for DC only members, a strategy which targets drawdown at retirement;
- for members with both DB and DC benefits, a strategy which targets cash at retirement;

3.1.2. The Trustee has agreed the following investment objectives for the Scheme's default arrangements where members' have not instructed their contributions to be invested elsewhere:

- to provide good value default option(s) which:
- are appropriate for the majority of members
- protect members against volatility in the approach to retirement.

3.1.3 The Trustee believes that the strategies are suitable for the majority of members based on modelling the expected fund values at retirement and how members are expected to take their benefits.

3.1.4 The default arrangements are therefore lifestyle strategies which

- Gradually move investments between different funds to manage the levels of investment returns and principal investment risks at each stage of membership of the Scheme; and
- Target members who are expected to use Flexible Access Income Drawdown during their retirement (DC only strategy) and members who are expected to take cash at retirement (DB+DC strategy)

3.1.5 The expected levels of investment returns (after the deduction of charges) and risks for the funds used are consistent with the Trustee's objectives for the default arrangement. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in Section 3.3.

3.1.6 <u>The kinds of investments to be held</u>.

3.1.6.1 The Trustee invests in pooled funds accessed through the Scheme's investment platform provider. These pooled funds may invest in a wide range of assets including equities, bonds, cash, property, derivatives and alternatives, subject to complying with relevant legislation. In practice, the kinds of investments held, depend on the investment strategy of each fund within the default strategies.

3.1.6.2 The structure of the funds used in the lifestyle strategies allows the Trustee to accommodate changes in the underlying funds with minimum disruption.

3.1.7 Balance between different kinds of investments

The Trustee recognises that the return received from different kinds of investment is achieved in different ways and at different rates (for example, low risk but little opportunity for capital growth as opposed to high risk but substantial opportunity for capital growth).

The Trustee considers the merits of both active and passive management for the default strategies and may select different approaches for different asset classes.

3.2. Statement of the aims and objectives for investment options outside the default investment arrangements

3.2.1. The Trustee has agreed the following investment objectives for ECashBuilder:

a) To provide a range of funds and lifestyle strategies with the aim of helping members secure benefits in retirement
b) To ensure the investment strategy structure and design is based on the membership profile, where practical to do so
c) To provide a range of lifestyle strategies which:
   - are designed to generate income and capital growth whilst members are some years from retirement with the aim of helping members secure benefits in retirement
   - in the period approaching retirement protect the capital value of investments as well as protecting members from volatility
   - are aligned to how members are able to take their benefits and consistent with the pension flexibilities enabled by the 'freedom and choice' regulations
d) To provide a range of alternative investment options which:
   - recognises that members have different investment needs and preferences
   - enables members to invest in funds which provide real capital growth over the long term
   - is appropriate for members' attitude to risk and proximity to retirement as members' investment needs and risk appetite change
   - caters for the needs of certain groups within the memberships that have ethical or religious beliefs.
   - offers members a choice between active and passively managed funds

3.2.2. Choosing investments

3.2.2.1. The Trustee takes the overall strategic investment decisions, recognising that implementing an investment strategy requires specialist knowledge and understanding.

3.2.2.2. The Trustee from time to time also receives advice from other appropriately qualified experts as to the suitability of investments. The Trustee considers all advice before making its decisions.

3.2.2.3. The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings. So, while seeking good member outcomes, net of fees, it also considers the level of risk that is appropriate based on the expected needs of the members.

Taking account of this, the Trustee's policy is to offer the following options for members:

- a default strategy for members with DC benefits only in the Scheme
- a default strategy for those who have both DC and DB benefits in the Scheme
- a range of lifestyles targeting the options available at retirement
- a range of self-select investment funds designed to meet differing levels of risk

3.2.2.4. The Trustee is closely involved in the wider issues relating to the investment funds made available to members, but the Trustee is not responsible for selecting which funds a member should invest in from the range available.

3.2.2.5. The Trustee has taken advice from the Adviser to ensure the investments offered are suitable for the majority of members.

3.2.3. <u>The balance between different kinds of investment</u>

3.2.3.1. The Trustee recognises that the return received from different kinds of investment is achieved in different ways and at different rates (for example, low risk but little opportunity for capital growth or high risk but substantial opportunity for capital growth).

3.2.3.2. The Trustee also recognises that individuals will have differing personal investment requirements and preferences and seeks to offer members a range of investment options to meet these requirements. This includes lifestyle strategies which take into account that members close to retirement will generally require more capital protection and assets best matched to their retirement outcome, whereas members a long way from retirement will generally need sufficient exposure to risks to generate investment returns.

3.2.3.3. The Trustee believes that the current default strategies and self-select range are suitable for the members with benefits in ECashBuilder. It will review this regularly, at least triennially or after significant changes to the demographics of the Scheme's membership. These reviews take into account the Trustee's views of how members are likely to behave at retirement, based on a combination of an understanding of member demographics and behaviours, views of the Adviser, wider pensions industry knowledge and experience and modelling of members' expected pension outcomes.

3.2.3.4. The Trustee considers the merits of both active and passive management for the investment options available and may select different approaches for different asset classes.

3.2.3.5. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

3.3. Statement of investment beliefs, risks and policies

3.3.1. The Trustee has agreed a set of DC investment beliefs and refers to these when making strategic investment decisions. These beliefs will be revisited at regular intervals and updates as and when appropriate.

3.3.2. <u>Risk</u>

3.3.2.1. Investment risk in a DC Scheme ultimately sits with the members.

3.3.2.2. In terms of the ECashBuilder investment choices the Trustee views one of the key risks as the probability that its chosen funds would result in the objectives not being met i.e. that insufficient savings would be available to provide the expected income at retirement. The fund choices and lifestyle options are designed to maximise the probability of meeting the objectives whilst controlling those factors which may result in the objective not being met.

3.3.2.3. However, it is not possible to mitigate all of the risks at the same time, so members are encouraged to consider the risks that are most relevant to them and to invest to mitigate those risks.

3.3.2.4. The Trustee has put in place a structure both to monitor these risks and take action to mitigate them when it believes it is appropriate to do so.

3.3.2.5. In arriving at the investment fund choices and designing the lifestyle strategies the Trustee has considered a number of risks including:

Risk	Definition	How we address the risk
Climate risk	The extent to which climate change causes a material decrease in asset values as a consequence of factors including, but not limited to policy change, physical impacts and the expected transition to a low carbon economy. This is a macro-economic risk.	• Engagement with the Adviser, fund managers and investment platform provider to understand the potential implications for the DC assets.
Counterparty risk	The failure of the investment platform provider.	• The Trustee ensures that the selected investment platform provider is regulated by the Financial Conduct Authority and is required, where appropriate, by the Prudential Regulation Authority to maintain adequate financial resources to ensure that it can meet its liabilities as they fall due.
Concentration risk	The failure of some of the investments that constitute a significant proportion of the assets.	• The Trustee uses a range of pooled funds across different asset classes to diversify risk. The funds available to members are also pooled funds across the different asset classes to offer diversification to members.
Credit risk	That one party to a financial instrument will cause financial loss for the other party by defaulting or falling in value.	• The Trustee uses pooled funds which invest in a wide range of corporate and government bonds to minimise the impact should anyone party default or fall in value.
Currency risk	Where a fund invests in overseas assets, a risk that the currency of the assets underperforms relative to Sterling leading to losses (or gains) in the value of the asset.	• The Trustee has considered the need for currency hedging within the default investment strategies.

Equity risk	The risk that equities may fall in value due to fluctuations in the market, as well as the financial risk involved in holding equity in a particular company.	• The Trustee manages equity risk primarily through investing in a range of global equities and by using pooled funds which minimise the financial risk associated with any particular company. • All lifestyle strategies look to reduce downside risk in the years prior to retirement by switching into lower risk funds. • A cash fund is available both in the lifestyle strategies and self-select fund range to provide capital protection.
ESG (Environmental, social and governance) risk	The need to consider environment, social and governance factors (including, but not limited to, climate change) which the Trustee considers to be financially material over the period until DC members take their benefits.	• The Trustee has a policy on responsible investment that addresses how these risks are considered and managed. • The Trustee monitors the ESG activities of its fund managers and will engage periodically.
Inflation risk	That investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the member's retirement savings.	• The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Interest rate risk	The risk of a reduction in the value of a bond fund as a result of an increase in interest rates.	• The Trustee uses bond funds in combination with other asset classes to diversify risk. Members use the bond funds as lower risk investments and also if they are likely to purchase an annuity.
Liquidity risk	The risk that a fund, or asset, cannot be traded quickly when required.	• The Trustee's policy is to invest in funds that offer daily dealing as far as possible to enable members to readily realise and change their investments.
Manager risk	A fund underperforms against the benchmark that it is being assessed against in the long term.	• Fund performance is monitored on a regular basis. • The Trustee has adopted a passive investment style for some of the funds which minimises the risk from underperformance.
Operational risk	The loss or error arising from the failure of people, processes and systems, or disruption due to an external event.	• Appropriate processes and controls are integrated into business activities. • The annual assessment against Code of Practice 13 includes confirmation that business continuity plans are in place and checked regularly.
Pension conversion risk	The risk that at retirement the assets held do not closely match how the member is expected to use their fund value in retirement. This is particularly important following the introduction of DC flexibilities at retirement.	• For the default strategies this risk is managed by gradually switching into assets which more closely match how the Trustee expects members to access their retirement savings.

Political risk	The level of concentration in any one market leading to the risk of a negative influence on investment values arising from political intervention of other events.	• Diversification of the assets within the default strategy
Real estate risk	The risk that real estate may fall in value due to fluctuations in the market.	• The Trustee uses a Property Fund as part of a diversified range of pooled funds.
Retirement benefit risk	The risk that a member's retirement benefit falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid.	• Regular reviews of the suitability and performance of the investment options offered with the aim of helping members optimise their retirement income. • No contributions to ECashBuilder have been received since the Scheme closed.
Any other risk the Trustee decides is appropriate with relevant input from the Adviser and other parties.		

3.3.3. Responsible investment

3.3.3.1. The Trustee recognises that members are long term investors and believes that incorporating ESG factors into investment decisions improves the long term risk adjusted returns for them.

3.3.3.2. Selecting managers

The Trustee always aims to select the most suitable manager for each pooled fund. The Trustee includes ESG considerations when assessing the default strategies and self-select fund choices available to members. The fund selection process includes the fund manager's responsible investment practices and consideration of ESG factors.

3.3.3.3. Financially material considerations

The Trustee recognises that in using pooled funds it has delegated consideration of stock-specific issues to the fund manager. The fund selection process includes consideration of the fund manager's responsible investment and ESG practices, including, but not limited to, climate change and how other financially material factors are taken into account when selecting, retaining and realising investments. The Trustee also assesses how these considerations are taken into account over an appropriate time horizon.

In addition, the Trustee recognises that for the passive fund range the choice of benchmark dictates the assets held by the investment manager who therefore has limited freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and therefore takes into account financially material considerations when selecting the benchmark.

The Trustee is aware of the risks of climate change and aims to understand the potential impact that climate risk factors may have on future investment returns.

At the time of the last fund review the Trustee did not make an explicit allowance for climate change within the development or implementation of its DC investment options. The Trustee may discuss the potential impact of climate risks with its Adviser and will monitor developments in this area.

3.3.3.4. Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

The Trustee will monitor investment managers' voting activity periodically through the investment platform provider and may review investment managers' voting patterns. The Trustee may also monitor voting on particular companies or issues affecting more than one company.

3.3.3.5. Voting

Whenever required, the Trustee will seek to exercise their voting rights in the best long term interests of ECashBuilder members. As the DC assets are all in pooled funds, the Trustee has adopted a policy of delegating voting decisions to the fund managers. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy which is reviewed by the Trustee every three years or more frequently if there are any material changes. The fund manager's house policies are expected to broadly meet with the Trustee's views.

3.3.3.6. Engagement

The Trustee believes it is appropriate for its fund managers to engage with key stakeholders which may include corporate management, issuers of debt or equity regulators and governance bodies, relating to their investments for the Scheme in order to improve corporate behaviours (including the management of actual or potential conflicts of interest), improve performance and strategy and mitigate financial risks (including ESG factors). The Trustee expects the investment platform provider to encourage the investment managers to adopt appropriate practices for responsible investment and shareholder engagement. The Trustee will review engagement activity undertaken by the fund managers as part of its broader monitoring activity periodically. The Trustee believes that such engagement incentivises the fund managers to preserve and enhance long term shareholder value of its investments.

When appointing the investment platform provider and selecting fund managers, the Trustee will seek to establish that each has an appropriate conflict of interest policy in place.

3.3.3.7. Non-financial matters

The Trustee notes that non-financial matters can affect various investment risks which are borne by members. Fund managers are only expected to take non-financial factors into account when these do not conflict with the financial interests of members or beneficiaries and ECashBuilder's investment objectives.

The Trustee does not take account of non-financial matters (such as member ethical views) within the default investment strategy.

3.3.4. Member engagement

3.3.4.1. The Trustee recognises the importance of member engagement in relation to the investment options offered within ECashBuilder.

3.3.4.2. The Trustee is aware that across the membership there will be differing views on responsible investment and aims to meet these through offering a range of self-select funds so members who wish to can select a fund which meets their views. The Trustee also gives members a choice of funds in which to invest their additional voluntary contributions.

3.3.5. The expected return on assets

3.3.5.1. When considering the range of investment options made available to members, the Trustee will have regard to the relative investment return that each asset class and fund is expected to produce net of fees. In particular, when selecting investments for the default strategies, the Trustees will have regard to the relative investment return of each category and structure of the fund such that it is expected to deliver a return consistent with their investment objective.

3.3.5.2. Having established the investment options available to members, the Trustee monitors the performance of the funds within these options. A consistent failure to achieve adequate performance, or to provide continued value for members could result in a fund being replaced.

3.3.6. The realisation of investments

In relation to the liquidity of investments, the Trustee's policy is to invest in funds that offer daily dealing as far as possible to enable members to readily realise and change their investments.

3.3.7. Performance measurement

3.3.7.1. The Trustee regularly monitors actual fund performance against the benchmarks set and will contact the fund manager if it has any concerns. The Trustee would not expect to replace a fund based on short term underperformance as the focus is on longer term outcomes; this aligns with the Trustee's beliefs on corporate governance.

3.3.7.2. The Trustee will review on a regular basis the investment performance of the investment funds together with the continuing suitability of the fund range made available to members.

3.3.8. Asset managers

3.3.8.1. Turnover

In the normal course of events the managers of pooled funds will sell investments from time to time to be replaced by others. The fund managers are aware that the expenses involved in transactions can affect performance and that transaction costs are reported to the Trustees for inclusion in the Chair's Statement each year.

In addition, the Trustee recognises that for the passive fund range the amount of each asset held by the investment manager is dictated by the benchmark and that the manager has limited freedom to minimise transaction costs. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and the stock turnover that comes with this.

When selecting actively managed funds, the Trustee will consider, with the help of its investment advisers, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee will ask the investment platform provider to report on at least an annual basis on the underlying assets held within funds with details of any transaction costs incurred over the Scheme's reporting year.

The Trustee will challenge the platform provider and/or investment managers or if the level of turnover seems excessive.

3.3.8.2. Duration

The agreement between the Trustee and the investment platform provider will continue until it is no longer required; this could be when the Scheme ceases or if either party takes measures to end the agreement.

The Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Scheme members' investment horizon. The Trustee will carry out due diligence on the fund manager's investment decision making process, to ensure the investment decisions are over an appropriate time horizon and aligned with the objectives.

3.3.8.3. Incentives

The Trustee invests in pooled funds where the fund managers are paid for their services on a fixed fee basis set and paid by the investment platform provider. For this reason, the Trustee does not have an arrangement providing incentives for the fund manager to either align its investment strategies and decisions with the Trustee's policies, or to make decisions aimed at improving their performance in the medium to long term.

The Trustee will:

- conduct an annual Value for Members assessment
- periodically review the Scheme's choice of investment platform provider and fund managers
- at least every 3 years review the suitability of both the investment options and the investment management arrangements.

The Investment platform provider and fund managers are aware that should they be found to not be providing value for members or otherwise acting in line with the Trustee's policies then the Trustee would consider replacing them.

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 managers.

5. Availability

5.1. A copy of this statement will be made available to the Employer, the Fund Manager(s), the Scheme Actuary and the Scheme Auditor. A copy is available on the Scheme's website www.zpen.info

The Endsleigh Insurance Services Ltd Pension & Assurance Scheme ("the Scheme") Implementation Statement

30 June 2021

Background

In 2019, the government published regulations[6] which introduced new requirements for pension schemes setting out the policies they need to explicitly include in their Statement of Investment Principles (SIP) (the document that sets out the investment principles and practices the Endsleigh Pension Trustee Limited (the Trustee) follows when governing the Scheme's assets).

This expanded on legislation[7] which was introduced in 2018 for schemes with more than 100 members to disclose the risks of their investments, including the ones arising from environmental, social and governance (ESG) considerations. It also required the Trustee to disclose policies in relation to the stewardship of investments, including engagement with investee firms and the exercise of the voting right associated with the investment.

Further to this, from 1 October 2020 the Trustee is required to produce an implementation statement setting out how it has acted on the principles it set out in the SIP, including how it takes account of the views which, in its opinion, members hold. This must cover policies on the exercise of voting rights related to its investments and engagement activities. This document is intended to meet those requirements and will be included in the Scheme's Report and Accounts and published on www.zpen.info.

The SIP in force during the Scheme year ended 31 December 2020 was prepared in accordance with all relevant legislation in-force at the date of the approvals. The SIP outlines the principles and policies governing investment decisions made by, or on behalf of the Trustee for the management of the defined benefit (DB) and defined contribution (DC) assets and the Trustee's policy for complying with Sections 35 and 36 of the Pensions Act 1995 and subsequent legislation.

Review of the SIP during the year

During the year ended 31 December 2020 the Trustee reviewed and updated the SIP. The Trustee's investment and legal advisers reviewed the SIP to ensure it continued to comply with current legal requirements and to incorporate the Trustee's Responsible Investment strategy in line with investment regulations. The Trustee formally approved the SIP on 10 September 2020. This Implementation Statement ("the Statement") reports on how the Trustee has met the policies set out in the SIP.

How have the policies in the SIP been followed over the year?

In the opinion of the Trustee, the policies set out in the SIPs dated 10 September 2019 and 10 September 2020, have been adhered to when each SIP has been in-force. The rest of this statement explains how and the extent to which these policies have been adhered.

Policies for choosing and realising investments, and the kinds of investments to be held

The SIP outlines the Trustee's principles and policies for choosing investments and the kind of investments to be held. In selecting investments, the Trustee obtains and considers written advice from a regulated investment adviser.

[6] Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

[7] The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 (now the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018)

- For the DB assets, EPensionBuilder, this is fulfilled by identifying appropriate objectives which reflect the risk and return requirements and then constructing a portfolio of investments to meet these objectives. No changes were made to the DB investment strategy during the year.

- For the DC assets, ECashBuilder, the Trustee has identified a suitable range of options, including both lifestyle strategies and investment funds which are made available to members via Scottish Widows; the Scheme's investment platform provider. No changes were made to the DC investment options during the year.

The DB assets are monitored by the Trustee board periodically and are reviewed regularly by the in-house pension team "ZPen team" and the Trustee. The Trustee is comfortable that over the year the investments held were consistent with the asset allocation set out in the SIP.

For more information on how the Scheme's investments are governed, please see the Report and Accounts at www.zpen.info.

Policies on managing and measuring risk, and expected returns
DB assets
The Trustee's objectives are:

- to invest in assets of appropriate quality and liquidity which will generate income and capital growth to meet, together with new contributions from the employer, the cost of current and future benefits which the Scheme provides, as set out in the Scheme's trust deed and rules as amended from time to time; and
- 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
- any other objective that the Trustee may, from time to time, consider appropriate.

The Trustee believes by fulfilling its objectives and by adhering to the policies in the SIP it ensures that assets are invested in the best interests of members and their beneficiaries.

During the year, the Trustee monitored the return on assets on a quarterly basis. The strategic asset allocation (SAA) has been changing on a quarterly basis in line with an agreed glidepath that was reached in June 2020. Assets were monitored and re-balanced in line with the agreed policy. Where possible, re-balancing was done with monthly outflows (for example, pensioner payroll) to reduce unnecessary transaction costs.

The Trustee approved an Integrated Risk Management (IRM) policy in June 2020 to formalise the framework that was already in place. Risk monitoring has been reported to the Trustee board periodically and it is reviewed on a quarterly basis by the ZPen team. Any investment strategy decisions are taken in the context of IRM. The Trustee received IRM training from its actuarial adviser and an investment adviser in the Scheme year ending December 2019.

DC assets: ECashBuilder
The Trustee's objectives are to provide:

- good value default option(s) which are appropriate for the majority of members and protect members against volatility in the approach to retirement;
- a range of lifestyle strategies which:
    - are designed to generate income and capital growth whilst members are some years from retirement with the aim of helping members secure benefits in retirement
    - in the period approaching retirement protect the capital value of investments as well as protecting members from volatility

    - are aligned to how members are able to take their benefits and consistent with the pension flexibilities enabled by the 'freedom and choice' regulations; and
- a range of alternative investment options which:
    - recognises that members have different investment needs and preferences
    - enables members to invest in funds which provide real capital growth over the long term
    - is appropriate for members' attitude to risk and proximity to retirement as members' investment needs and risk appetite change
    - cater for the needs of certain groups within the memberships that have ethical or religious beliefs.
    - offers members a choice between active and passively managed funds

ECashBuilder is closed to new contributions, but the Trustee believes that these options together with the contributions received to date will provide a fund with which to provide an income in retirement for members. Two default strategies are in place:

- For members with only DC benefits the default strategy targets drawdown in retirement; and
- For members with both DB and DC benefits the default strategy targets cash at retirement.

The default strategies gradually move investments between different funds to manage the levels of investment returns and principle investment risks at each stage of membership

The Trustee uses Scottish Widows as its investment platform provider to access the ECashBuilder funds. Scottish Widows is regulated by the Financial Conduct Authority and the Prudential Regulation Authority to maintain adequate financial resources to ensure it can meet its liabilities as they fall due.

In March 2020 the Scottish Widows Property Fund temporarily closed to all transactions. The unit price was being maintained for the duration of the closure, so there is still a value associated with the holdings. The fund was subsequently reopened on 26 October 2020.

Policies on the exercise of voting rights and undertaking engagement activities
The Trustee's strategy on engagement is summarised below, together with its assessment of how, and the extent to which, this has been implemented over the Scheme year to 31 December 2020:

Policy & response[8]

DB assets
2.8.3. The Trustee considers ESG factors at various steps in its investment process. The Trustee recognises that the choice of benchmark dictates the assets held by the Fund Managers[9] *and that the Fund Managers have minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believe the choice of benchmarks will deliver appropriate risk adjusted returns. The Trustee will review the index benchmarks employed for the Scheme on a periodic basis.*
The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on factors they believe not to be financially material. The Trustee therefore expects that the Fund Managers will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk

The Trustee discussed responsible investment ("RI") practices with Legal and General Assurance (Pensions Management) Limited (LGIM) and Insight Investment Management (Global) Limited (the

[8] The references are in relation to the specific policy set out in the SIP
[9] Definition of "Fund Managers" is set out in the SIP

"LDI Manager") collectively for the purpose of this document referred to as "Fund Managers". In June 2020 LGIM attended the Trustee Board meeting and presented their investment approach which was focused on the core investment beliefs, stewardship and active engagement.
RI is discussed less regularly with the LDI Manager, due to the limited scope of its investments (mainly Gilts).

2.8.4. Where applicable, Fund Managers report on voting activity to the Trustee on at least an annual basis. The Trustee will monitor Fund Managers' voting activity and may periodically review Fund Managers' voting patterns. The Trustee will be reliant on the information presented by the Fund Managers regarding votes cast and identification of voting patterns.

The Trustee aims to meet with all their Fund Managers periodically. Fund Managers are challenged on the impact of any significant issues including, where appropriate, ESG factors and voting policies

EPensionBuilder's equity holdings are managed by LGIM. LGIM discloses their voting activity by market and proposal category on a quarterly basis together with an engagement summary. LGIM continues to develop and follow their own policies rather than adopt those of third parties, as these may not fully reflect the nuances of companies, their future commitments or LGIM's own engagement activity. Such policies also may be focused on a particular country, rather than being global in nature. The effectiveness of LGIM's engagement is supported by the sheer size of the pooled funds managed and their weight in corporate voting. According to LGIM, the adoption of third-party policies may also be impractical from a pooled fund perspective. A split of the votes within LGIM's pooled funds would decrease the impact of LGIM's voting choices and introduce operational risk into their voting procedures. Taking into account the periodic reviews and LGIM's attendance at the Trustee Board on 9 June 2020, the Trustee is satisfied with LGIM's voting policies.

2.8.5. The Fund Managers' house policies are expected to broadly meet with the Trustee's views, if expectations are not met the Trustee will engage with the Fund Manager.

The Trustee believes it is appropriate for its Fund Managers to engage with key stakeholders which may include corporate management of issuers of debt or equity, regulators and governance bodies, relating to their investments for the Scheme in order to improve corporate behaviours (including the management of actual or potential conflicts of interest), improve performance and strategy and mitigate financial risks (including ESG factors).

The Trustee will review engagement activity undertaken by their Fund Managers as part of its broader monitoring activity periodically. The Trustee believes that such engagement incentivises the Fund Managers to preserve and enhance long term shareholder value of its investments.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each Fund Manager has an appropriate conflicts of interest policy in place. Fund Managers are required to disclose any potential or actual conflict of interest in writing to the Trustee.

The Trustee continues to meet with its Fund Managers on a regular basis (see Engagement with Fund Managers table, below, for examples of meetings) and RI remains a standing item for the majority of Fund Managers. RI is discussed less regularly with the Liability Driven Investment (LDI) manager, Insight, due to the limited scope of its investments (mainly Gilts). For more information about the meetings with Fund Managers, including examples of meetings which have taken place and matters that the Trustee has raised with Fund Managers, please see the below section entitled 'Engagement with Fund Managers'.

2.8.6. Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting their strategic benchmark.

The Trustee does not have a formal policy of soliciting member or beneficiary views on non-financial matters in their investment decision making but will periodically review its position.

The Trustee maintained its position on soliciting member views on non-financial matters in their investment decision making between the effective date of the SIP and the Scheme year end.

DC assets: ECashBuilder

3.3.3.4. The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

The Trustee will monitor investment managers' voting activity periodically through the investment platform provider and may review investment managers' voting patterns. The Trustee may also monitor voting on particular companies or issues affecting more than one company.

A majority of the equity holdings within ECashBuilder are within EFundBuilder and held by BlackRock and Columbia Threadneedle Investments (CTI). At the Responsible Investment Day on 22 January 2020 the attendees met with both BlackRock and CTI, these meetings are shown in the table within the 'Engagement with Managers' section. The ZPen team engaged with the investment platform provider (Scottish Widows) to request the provision of voting activity and patterns of fund Managers. Scottish Widows are currently unable to deliver this information and are developing this capability (see Exercise of voting rights – ECashBuilder, below)

3.3.3.5. Whenever required, the Trustee will seek to exercise their voting rights in the best long term interests of ECashBuilder members. As the DC assets are all in pooled funds, the Trustee has adopted a policy of delegating voting decisions to the fund managers. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy which is reviewed by the Trustee every three years or more frequently if there are any material changes. The fund manager's house policies are expected to broadly meet with the Trustee's views.

The Trustee reviewed the voting policies of its fund managers and was satisfied that the voting policies are aligned with its own guiding principles. The review of any changes to house policies will be performed in the current Scheme year to 31 December 2021. For more information about the fund managers' voting policies, please see the below section entitled "Exercise of voting rights".

3.3.3.6. The Trustee believes it is appropriate for its fund managers to engage with key stakeholders which may include corporate management, issuers of debt or equity regulators and governance bodies, relating to their investments for the Scheme in order to improve corporate behaviours (including the management of actual or potential conflicts of interest), improve performance and strategy and mitigate financial risks (including ESG factors). The Trustee expects the investment platform provider to encourage the investment managers to adopt appropriate practices for responsible investment and shareholder engagement. The Trustee will review engagement activity undertaken by the fund managers as part of its broader monitoring activity periodically. The Trustee believes that such engagement incentivises the fund managers to preserve and enhance long term shareholder value of its investments.

The Trustee met with the majority of its fund managers in ECashBuilder during the Scheme year. Fund managers with larger holdings within the DC section were prioritised. The meetings covered the following topics; RI investment philosophy; specific examples of RI in practice and climate change. The Trustee was satisfied that the fund managers are following an approach which takes account of all financially material factors (including ESG factors). In future years it is more likely the Trustee will engage with its investment platform provider directly rather than through individual fund managers.

3.3.3.7. The Trustee notes that non-financial matters can affect various investment risks which are borne by members. Fund managers are only expected to take non-financial factors into account when these do not conflict with the financial interests of members or beneficiaries and ECashBuilder's investment objectives.
The Trustee does not take account of non-financial matters (such as member ethical views) within the default investment strategy.

The Trustee does not have a formal policy of soliciting member or beneficiary views on non-financial matters in their investment decision making but will periodically review its position.

Engagement with Fund Managers
The table below sets out a number of engagements with the Fund Managers. This includes engagements through the Trustee Board and meetings with Trustee and ZPen team representatives. The table does not include every single meeting with the Fund Managers, however the ones selected below are representative of key touch points during the year. The Trustee has found direct meetings with Fund Managers is the most effective ways to engage on responsible investment and voting records.

Date	Manager	Subjects discussed
22/01/2020	CTI (Equities)	• ESG factors within investment philosophy • RI in practice • Proxy voting and engagement • Climate change
22/01/2020	Blackrock (Equities & Corporate bonds)	• ESG factors within investment philosophy • RI in practice • Proxy voting and engagement • Climate change
09/06/2020	LGIM (DB Equities, Corporate bonds & gilts)	• Market developments (COVID-19) • Investment beliefs • Stewardship and engagement
02/07/2020	JP Morgan (Equities)	• ESG factors within investment philosophy • RI in practice • Proxy voting and engagement • Climate change
02/07/2020	HSBC (Equities)	• ESG factors within investment philosophy • RI in practice • Proxy voting and engagement • Climate change
03/07/2020	LGIM (DC Equities)	• ESG factors within investment philosophy • RI in practice • Proxy voting and engagement • Climate change

Responsible Investment Day – 22 January 2020

The Responsible Investment Day consisted of a number of attendees representing the Trustee (delegated through the standard nature and basis of the work undertaken by the ZPen team). This included the Scheme's responsible investment champion, the ZPen Finance Manager and Zurich Group's Pension Investment Manager. The attendees were briefed ahead of each Fund Manager meeting with key information on each mandate in order to facilitate discussions.

The meetings all followed a similar format and were structured to discuss four main topics, these were:

- ESG factors within investment philosophy
- RI in practice
- Engagement
- Climate change

Exercise of voting rights

As all of the Scheme's assets are externally managed, the Trustee reviews the Fund Managers' applicable proxy voting policies every three years or more frequently if there are any material changes. If these are in alignment with the Trustee's believes described in SIP, the Trustee will delegate the authority to exercise voting rights to the Fund Managers.

As discussed in the 'Policy and Response' section, the Trustee met with the majority of Fund Managers during the Scheme year, with RI as a key topic for the majority of meetings.

The Scheme has 2 types of equity structures.

- Pooled mandate (DB)
- Via-platform investments (DC)

Across the DB assets, all equity holdings are managed by LGIM via pooled investments. The statistics for the DB assets will reflect the fact that LGIM would have voted as fund managers on behalf of all the pooled fund holders.

The via-platform investments are managed by Scottish Widows, equity holdings are held within blended and wrapped funds.

The Trustee reviewed updates on voting statistics from LGIM during the Scheme year and was satisfied with the reports provided.

As discussed in the 'Policy and response' section, the Trustee is satisfied that LGIMS's voting policy is aligned with its own guiding principles. LGIM votes actively at company meetings, applying principles on a pragmatic basis. LGIM views this as one of the most effective ways of signalling approval (or otherwise) of a firm's governance, management and strategy.

The key statistics and significant votes for LGIM are shown on pages 78-81.

EPensionBuilder

LGIM's statistics showed the following:

- **3,911 meetings in total**
- **46,852 individual resolutions**
  - 99.93% of the resolutions were voted on, from which 83.96% voted with management, 15.94% against management and 0.10% abstained
  - In 5.46% of meetings voted on at least one vote was against management
  - 0.42% of resolutions, the vote was contrary to the recommendation of LGIM's proxy adviser ISS

Significant votes

This is the Scheme's first implementation statement and, the Trustee has delegated to LGIM to define the most significant votes cast on their behalf during the Scheme year.

A summary of the key voting action from LGIM for the DB assets is set out below.

It should be noted that LGIM only began to define what a "significant vote" was in the second quarter of 2020. Therefore any information provided in this statement relating to earlier periods reflects voting policies announced by LGIM in the relevant period as opposed to what they have labelled "significant" votes.

Company name	BARCLAYS
Date of vote	07/05/2020
Summary of the resolution	"Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change
How you voted	Resolution 30 - Approve ShareAction Requisitioned Resolution"
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.
Rationale for the voting decision	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Outcome of the vote	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.

Company name	AMAZON
Date of vote	27/05/2020
Summary of the resolution	Shareholder resolutions 5 to 16
How you voted	Of 12 shareholder proposals, we voted to support 10. We looked into the individual merits of each individual proposal, and there are two main areas which drove our decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for our engagements leading up to the proxy vote. Our team has had multiple engagements with Amazon over the past 12 months. The topics of our engagements touched most aspects of ESG, with an emphasis on social topics:
Outcome of the vote	Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings

Company name	EXXONMOBIL
Date of vote	27/05/2020
Summary of the resolution	Resolution 1.10 - Elect Director Darren W. Woods
How you voted	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.
Outcome of the vote	93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods.

Company name	PEARSON
Date of vote	18/09/2020
Summary of the resolution	Resolution 1: Amend remuneration policy' was proposed at the company's special shareholder meeting, held on 18 September 2020.
How you voted	We voted against the amendment to the remuneration policy.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role.
Outcome of the vote	This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO.

Company name	Qantas Airways Limited
Date of vote	23-10-20
Summary of the resolution	Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.
How you voted	LGIM voted against resolution 3 and supported resolution 4.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Given our engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.
Rationale for the voting decision	The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive

	cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns.
Outcome of the vote	About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view.

ECashBuilder

The ZPen team engaged with the investment platform provider (Scottish Widows) to request the provision of voting information on all of the Scheme's equity funds. Scottish Widows were unable to deliver this information and will be developing this capability over the next Scheme year.

The Trustee was able to satisfy itself that its policies and principles on voting were taken into account by its Fund Managers through discussing voting in engagement through the Scheme year. The Trustee engagement with its Fund Managers did not include EFlexibleIncomePot and SW Mixed Investments as these two funds have a small percentage of equities relative to other asset classes.