

Endsleigh Insurance Services Limited Pension and Assurance Scheme

Annual report and financial statements

Year ended 31 December 2021

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Welcome from the Trustee chair

Welcome to the 2021 annual report and financial statements. This has been a significant year for the Scheme with some big changes to the membership following the transfer of ECashBuilder benefits to the Aegon Master Trust. The Trustee has also finalised the actuarial valuation of EPensionBuilder as at 31 December 2020 and has been managing the ongoing challenges presented by the pandemic.

Transfer of ECashBuilder benefits

Following a review of the investment options in 2020, the Trustee believed that members of ECashBuilder could get improved value for money in a master trust. A selection process was carried out with the help of the Trustee's advisers. The Aegon Master Trust was selected to receive the transfer of ECashBuilder funds and the transfer took place in September 2021. You can read more about the transfer of ECashBuilder to the Aegon Master Trust in the [Trustee's report](#) section of this report.

Valuation & funding

In March 2022, we concluded the actuarial valuation as at 31 December 2020. The results showed that the estimated funding level of EPensionBuilder had decreased slightly since the valuation as at 31 December 2017, despite deficit contributions received and positive investment returns. This was largely due to a higher value placed on the liabilities as a consequence of changes in market conditions and changes to the assumptions. A recovery plan has recently been agreed with the Principal Employer to meet the funding shortfall. You can read more about the funding of EPensionBuilder in the [Scheme funding](#) section of this report.

Russian invasion of Ukraine

The invasion of Ukraine by Russia has resulted in a period of uncertainty for the global economy and financial markets, in turn creating significant volatility in the valuation of investment assets. The Trustee will keep the situation under review over the coming months, including implications for investment strategy and risk management.

Trustee knowledge and understanding

The Trustee directors are committed to developing and maintaining their knowledge and understanding. Due to the impact of the pandemic we replaced our annual training day with a series of virtual training sessions.

This year we received training on:

- Long term journey planning for DB schemes
- Selecting and assessing Master Trusts; and
- Cyber security

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 the page below.



Clive Gilchrist

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

Principal Employer, Trustee directors and advisers

Principal Employer

EFS Financial Services Limited
Unity Place
1 Carfax Close
Swindon
SN1 1AP

Trustee directors

P Agg
BESTrustees Limited (represented by C Gilchrist)
P Bishop
T J Grant
G C Okai
G P Wenzelul

Trustee company secretary

Zurich Corporate Secretary (UK) Limited

Secretary to the Trustees

C Calo

Scheme Actuary

Susanna Morran FIA
Barnett Waddingham LLP

Auditors

PricewaterhouseCoopers LLP (to 3 December 2021)

In their statement on leaving office, it was noted there are no circumstances with their resignation which, in their opinion, significantly affect the interests of members or prospective members of, or beneficiaries under the Scheme.

Ernst & Young LLP (from 9 February 2022)

Covenant advisers

PricewaterhouseCoopers LLP

Fund Managers

ECashBuilder (up to 30 September 2021)
Scottish Widows Limited

EPensionBuilder

Legal & General Assurance (Pensions Management) Limited
Insight Investment Management (Global) Ltd

Annuity provider

Legal & General Group plc

Administrator

ECashBuilder (up to 30 September 2021)
Scottish Widows Administration Services Limited

EPensionBuilder

Zurich UK Pensions and Benefits (the "ZPen team")

Investment adviser

Barnett Waddingham LLP

Bankers

National Westminster Bank plc

Solicitors

TLT LLP

Address for general information and individual benefit enquiries

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

Trustee's report

How the Scheme is managed

Trustee directors

The Scheme is set up under trust under English law, which ensures a high level of security for members' benefits by legally separating the Scheme's assets from those of the Zurich Insurance Group. The Principal Employer is EFS Financial Services Limited ("EFS").

The Trustee company, Endsleigh Pension Trustee Limited, 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 Principal Employer. 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 ("MNDs") 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 Principal Employer do not have fixed terms of office and continue as Trustee directors until they resign, or the Principal Employer 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

Deferred and pensioner members are eligible to stand as MNDs.

Newly appointed MNDs 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 selection panel.

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

Changes to the Trustee directors

There are two MNDs whose terms of office ended on 31 August 2021. A nomination process was run throughout March and April 2021. Both incumbent MNDs stood for election and no other nominations were received.

The Trustee re-appointed the incumbent MNDs for a further three year term, ending 31 August 2024.

How the Scheme is structured

A brief history of the Scheme

The 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 provided '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 EFS were retained by the Zurich Group. The Scheme rules were amended to permit EFS to replace Endsleigh Insurance Services Limited as the Principal Employer and all the departing employers' obligations to the Scheme were apportioned to EFS. This means that the Zurich Group took over responsibility for the Endsleigh Scheme, rather than transferring it to A-Plan Holdings.

In September 2021, the benefits in ECashBuilder were transferred to the Aegon Master Trust.

The Trustee company

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

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.

Trustee director	Number of meetings attended
BESTrustees Limited (represented by C Gilchrist)	4/4
P Agg	4/4
P Bishop	3/4
T Grant	3/4
G Okai	4/4
G Wenznerul	4/4

Bulk transfer of ECashBuilder to Aegon Master Trust

Following a review of the ECashBuilder investment options in 2020, the Trustee believed that members of ECashBuilder could get improved value for money in a master trust. A selection exercise was carried out early in 2021 with the support of Barnett Waddingham and presentations were received from four providers in March 2021. This resulted in Aegon being put forward to EFS as part of a recommendation to transfer ECashBuilder to a master trust. This recommendation was accepted by EFS in May 2021.

The Trustee agreed to proceed with the final transfer in September 2021 and the disinvestment commenced on 28 September 2021 with the assets transferred to Aegon on 12 October 2021.

Following the transfer, there are no benefits remaining in ECashBuilder.

Changes made during the Scheme year

A Deed of Amendment was executed on 17 September 2021 to facilitate the transfer of ECashBuilder assets to the Master Trust and to allow members with benefits retained in EPensionBuilder to transfer their former ECashBuilder benefits back to the Scheme at the point of retirement.

Preparation and audit of financial statements

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.

Qualified auditor's report on the financial statements with regard to the rights & obligations of annuity policies

Under the requirements of the revised SORP, annuity policies that were previously (prior to 2015) excluded from the financial statements, now (post 2015) had to be valued and included as part of the Scheme's Statement of net assets. This requirement includes historic policies that were taken out many years ago. The Scheme holds such policies and these have been valued by the Actuary at the year-end date as £5,460,000 (2020: £6,370,000). These are all bulk annuity policies in relation to 32 members.

The auditor was not provided with sufficient and appropriate evidence to confirm the ownership of those policies. The audit opinion is qualified in this respect.

While every effort was made by the Trustee to obtain the information for this set of accounts, including delay of signing them, the annuity providers were not able to confirm ownership. The Trustee continues to engage with the annuity provider and their lawyers so that a remediation can be found.

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.

The EPensionBuilder arrangement includes 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.

COVID-19

During the year, the Trustee has continued 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.

Pension Increases - EPensionBuilder

Pensions in payment

The Trust Deed and Rules make 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 2021
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	1.1%
	Pensionable service from 6 April 2006	1.1%

Preserved pensions¹

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

¹ Members have preserved benefits if they have left active membership of the Scheme but have not yet claimed their benefits

Scheme running costs

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

Membership details

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

	Total	Members with Preserved Benefits		Employed Deferred*	Pensioners
		EPB	ECB	EPB	EPB
Balance at start of year	2,947	1,373	1,338	31	205
Transferred out to EPensionBuilder**			(2)		
Transferred out to other schemes		(5)	(18)		
Bulk transfer out to Aegon Master Trust			(1,317)		
Deaths		(1)			(2)
Retirements		(23)			23
Employed deferred leavers		14		(14)	
Dependant pensions					2
Small pot lump sum			(1)		
Balance at end of year	1,603	1,358	-	17	228
Pensions secured by annuity policies with Legal & General					32
Revised year end balance	1,635	1,358	-	17	260

* 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 Fund 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 Fund 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 UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the 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 the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

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

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to 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.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

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 Principal Employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

Funding position

The most recent full completed actuarial valuation of EPensionBuilder was carried out as at 31 December 2020 and approved on 29 March 2022.

The valuation indicated that EPensionBuilder had a deficit of £75.2m, equivalent to a funding level of 75%.

Annual Actuarial Report

A full Scheme valuation is conducted every three years. In the intervening years the Trustee obtains an annual funding update.

A summary of the funding position as at the 31 December 2019 annual update, the 31 December 2020 full valuation and the 31 December 2021 annual update is shown below.

Funding results	Triennial valuation	31 December 2020	Triennial valuation
	31 December 2017	31 December 2020	31 December 2021
	£ million	£ million	£ million
Assets	175.4	230.4	232.7
Liabilities	230.7	305.6	283.3
Technical provisions			
(Deficit)	(55.3)	(75.2)	(50.6)
Funding level	76%	75%	82%

Method

The actuarial method used in the calculation of the Technical Provisions is the Projected Unit Method.

The key assumptions used in the calculation of the Technical Provisions as at the 31 December 2020 valuation were as follows:

Key Financial Assumptions/Data as at 31 December 2020

Discount rate	Market implied gilt yield curve plus 1.12% pa until 31 December 2038, linearly reducing the margin over gilts until it reaches 0.78% by 31 December 2044.
Price inflation – RPI	Market implied inflation curve
Price inflation – CPI	RPI less 0.8% pa until 2030 and in line with RPI thereafter
Pension increases:	
– RPI with a minimum of 3% and a maximum of 5%	Based on the inflation curve with relevant caps applied each year
– RPI with a maximum of 5%	
– RPI with a maximum of 2.5%	
Mortality Table	113% of S3PMA_L for males, 100% of S3PFA for females

GMP Equalisation

An approximate allowance for the cost of equalising for the effect of unequal GMPs of £960,000 was made when calculating the Technical Provisions.

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 value was higher than the opposite sex value, the difference contributed to an additional liability in EPensionBuilder.

Recovery Plan

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

Contributions of £11.38m are payable annually on 30 June each year (starting from 30 June 2022 until 30 June 2026). A final contribution of £14.87m is payable on 30 June 2027.

Actuarial certificate

A copy of the Actuary's full report on the valuation as at 31 December 2020 is available on request from the Scheme Secretary (see [Trustees and advisers section](#)).

By law, the statement from the Scheme Actuary below and the Certification of the Schedule of Contributions 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 will be as at 31 December 2023.

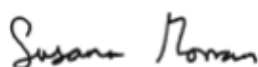
Endsleigh Insurance Services Limited Pension and Assurance Scheme

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 2020 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 29 March 2022.

Signature:



Date:

29 March 2022

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 strategy for the Scheme, which is described in more detail below. The Trustee sets the investment strategy after taking advice from the Scheme's investment adviser.

Statement of investment principles (SIP)

In accordance with section 35 of the Pensions Act 1995 the Trustee, after consultation with EFS, Fund 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 included in this report and is available on www.zpen.info. There were no departures from the SIP in the Scheme 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 reviews 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 the strategic benchmark.

The Trustee does not have a formal policy of soliciting member or beneficiary views on non-financial matters in its 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 its 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 its 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 Fund Managers which are listed in the Trustees and advisers section. These managers, who 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 Fund Managers during the COVID-19 pandemic. The Trustee was assured of the Fund Managers' operational capabilities in the lockdown as business continuity plans were activated due to office closures. The Trustee was satisfied with the Fund 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 Investment Management (Global) Ltd (Insight) 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 Scheme's assets are invested in pooled funds, the day-to-day decisions, including the exercise of voting rights have been delegated to the Fund Managers.

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 detail 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 Fund Managers takes into account ESG factors through the use of its shareholder influence.

EPensionBuilder

Investments

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 Fund Manager, who invests in a diverse portfolio to optimise returns, without exposure to excessive risk.

The strategic asset allocation ("SAA"), updated in March 2021, is as follows:

	SAA %
<u>Equities</u>	<u>32</u>
- Global Equity 50:50	32
<u>Corporate Bonds</u>	<u>33</u>
- AAA-AA-A Bonds All Stocks Index	23
- AAA-AA-A Bonds-Over 15 Year Index	10
<u>LDI</u>	<u>35</u>
- LDI Enhanced Longer Nominal Fund	19
- LDI Enhanced Longer Real Fund	11
- ILF GBP Liquidity Fund	5

The Trustee monitors the asset allocation on a quarterly basis to ensure assets are invested within agreed SAA ranges.

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.

The investments in equities and corporate bonds are managed by PMC and are passively managed against the relevant index; this means that the Fund 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 Fund Manager has discretion over mainly investing in gilts or swaps.

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 equity portfolio saw the largest increase, with equity markets performing well as a consequence of increased confidence through stimulus being pumped into the economies, positive vaccine news and the reduction in restrictions. 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 is shown below.

Annualised gross return over:	1 year	3 years	5 years
	%	%	%
EPensionBuilder	-2.4	10.8	5.9
<i>Benchmark</i>	-2.4	8.8	4.5
<u>Growth</u>			
Global Equity 50:50	17.9	12.7	8.7
<i>Benchmark</i>	17.8	12.7	8.6
AAA-AA-A Bonds All Stocks Index	-3.8	3.7	2.8
<i>Benchmark</i>	-3.8	3.6	2.7
AAA-AA-A Bonds-Over 15 Year Index	-6.6	7.5	4.9
<i>Benchmark</i>	-6.6	7.5	4.8
<u>Matching assets</u>			
LDI Enhanced Longer Nominal Fund	-33.0	14.8	8.3
<i>Benchmark (Gilts)</i>	-30.0	17.8	10.5
<i>Benchmark (Swaps)</i>	-36.8	8.7	1.5
LDI Enhanced Longer Real Fund	0.5	19.9	11.4
<i>Benchmark (Gilts)</i>	3.5	23.3	13.8
<i>Benchmark (Swaps)</i>	-3.5	12.7	2.9

Source: Legal and General Assurance (Pensions Management) Limited, Insight Investment Management (Global) Ltd

ECashBuilder investment performance

The ECashBuilder funds were transferred to the Aegon Master Trust in September 2021. The table below represents performance up to September 2021.

Annualised net return over	1 year	3 years	5 years
	%	%	%
Default funds			
EFundBuilder	1.7	7.7	8.5
Benchmark	1.6	6.0	7.4
EPensionPurchasePot	-1.0	7.7	3.5
Benchmark	-1.0	7.5	3.4
ERetirementLumpSum	0.0	0.2	0.2
Benchmark	0.0	0.2	0.2
EFlexibleIncomePot	0.2	2.3	1.9
Benchmark	1.5	3.8	4.2
Self select funds			
Aquila Index Linked Over 5 Year Gilts	2.7	7.0	2.9
Benchmark	2.3	6.6	3.3
Aquila UK Equity Index	0.9	2.7	5.1
Benchmark	2.1	2.8	5.1
Aquila World ex-UK Index	3.4	13.3	14.2
Benchmark	2.3	13.5	14.4
Global Equity	1.1	10.9	10.6
Benchmark	1.3	7.2	7.5
Managed	1.1	10.9	10.6
Benchmark	1.3	6.3	6.4
Property	3.1	6.7	7.1
Benchmark	3.1	0.5	3.3
UK Corp Bond	-0.6	5.1	3.6
Benchmark	-1.0	4.4	2.6
Endsleigh HSBC Islamic	3.7	18.9	17.6
Benchmark	2.9	18.1	17.1
LGIM Ethical Global Equity Index	3.8	13.3	14.0
Benchmark	3.8	13.3	14.3
Mixed Investments	-1.4	4.2	4.7
Benchmark	2.0	5.8	6.2
Deposit and Treasury	0.0	0.0	0.0
Benchmark	0.0	0.2	0.2

Source: Scottish Widows Ltd

The Trustee approves the above report.

Signed on behalf of the Trustee by:

Director 

Name Clive Gilchrist

Chair’s Statement regarding DC² governance for the year ending 31 December 2021





Summary

Governance requirements apply to defined contribution (DC) (also known as money purchase) 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 for the ECashBuilder section of the Scheme 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.

During the year the Trustee agreed to move ECashBuilder to the Aegon Master Trust because it believed this would provide better value for members than was available within the Scheme. This statement covers the period from 1 January – 31 December 2021.

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.	The Trustee commenced its review of the default investment strategies on 11 September 2020 and this was completed on 28 September 2021 by the transfer of ECashBuilder to the Aegon Master Trust. The default investment arrangement was a lifestyle strategy which included the following funds: <ul style="list-style-type: none"> • EFundBuilder, which outperformed its benchmark over 1, 3 and 5 years and • EFlexibleIncomePot, which underperformed its benchmark over the same period. 		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 received regular reports from the administrator and monitors performance against agreed service levels. Based on this the Trustee considers that the core financial transactions were 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 for the period 1 January – 31 December 2021.		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 undertake regular training. The Trustee Directors consider 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

² 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.

	Key points:	Rating	Link
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:			
<ul style="list-style-type: none"> • Taking account of all the factors considered, the Trustee believes that the Scheme provided fair value for members for the period 1 January –31 December 2021 • The transfer to the Aegon Master Trust should provide improved value for lesser charges. 			

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 (DB³) and DC benefits. The DC benefits are provided by the section called ECashBuilder and it is these benefits that were transferred to the Aegon Master Trust.

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

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the 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. There have been no changes to the SIP since it was last 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; and
 - protects members against volatility in their approach to retirement.

The Trustee must review both the default strategy and the performance of the default arrangement periodically. The latest review of the default investment strategy commenced on 11 September 2020 and the work carried out by the Trustee included:

- analysis of the membership demographics and the average projected fund value at retirement
- consideration of how the default strategy and the other investment arrangement options provided value for members and if this could be improved
- review of the performance of the default arrangement investment strategies
- benchmarking the charges against those that could be available if ECashBuilder was transferred to a master trust; and
- input from the Trustee's investment advisers.

The review had the following outcomes:

- The Trustee agreed that a master trust could provide better value for ECashBuilder members in the following key areas:
 - lower member charges with no reduction in service levels provided to members;
 - the incorporation of environmental, social and governance factors into the investments in the default arrangement;
 - the development of member communication and engagement tools across different communication channels; and
 - better member support before and into retirement, including access to pension flexibilities.

³ Defined benefit (DB): 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 DB section of the Scheme.

- The Trustee worked with its investment advisers to agree a set of objectives and selection criteria which were used in the assessment and shortlisting of a number of master trust providers.
- The Trustee received presentations from four shortlisted master trust providers.
- Following the presentations Aegon were selected as the preferred Master Trust and a project commenced in May 2021 to transfer the ECashBuilder benefits to the Aegon Master Trust.

The transfer to the Aegon Master Trust took place on 28 September 2021.

In addition to the strategy review above, the Trustee also reviewed the performance of the default arrangement quarterly and concluded that it was performing broadly as expected and in accordance with the aims and objectives of the default arrangement as stated in the SIP.

Prior to the transfer to the Aegon Master Trust:

- EFundBuilder, which is in the default arrangement when members are 10 or more years from retirement, outperformed its benchmark over 1, 3 and 5 years
- EFlexibleIncomePot, which is used in the default arrangement as members approach retirement, underperformed its benchmark over the same periods. In August 2020 the benchmark was reduced from CPI+2% to a cash benchmark +2%.

2 Requirements for processing core financial transactions

The Trustee received assurance from the ECashBuilder administrator (Scottish Widows) and took steps to ensure that there were adequate internal controls so that the core financial transactions relating to ECashBuilder were processed promptly and accurately during the Scheme year. This included the processing of transfers in and out of ECashBuilder, transfers of assets between different investments within ECashBuilder, and payments to members and beneficiaries. For the period 1 January – 25 November 2021 the Scheme had a service level agreement (SLA) in place with Scottish Widows which covered the accuracy and timeliness of all core financial transactions. These are split into granular detail with each step being assigned a target under the SLA. The key processes adopted by the administrator to help it meet the SLA targets included:

- Production of quarterly reports which include reporting on performance against SLAs, and which were reviewed by Zurich's UK Pensions and Benefits team and the Trustee. Any queries were 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 received 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 1 January – 25 November 2021:

- The administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA.
- 88% of the core financial transactions were processed within the SLA. This represents 3 transactions not being completed within the SLA, out of a total of 25 transactions.
- There was 1 error in processing core financial transactions, where a transfer-in was incorrectly accepted and invested. Scottish Widows resolved this before the transfer to the Aegon Master Trust took place.

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

- Specific SLAs were in place with Scottish Widows relating to a number of processes, including the core financial transactions.
- Where core financial transactions were completed outside the SLA, Scottish Widows were 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 monitored the performance against SLAs for both ECashBuilder and the Scottish Widows team to ensure the ECashBuilder performance didn't fall below that provided by the team as a whole.

The bulk transfer to the Aegon Master Trust was also a core financial transaction but not part of the routine transactions referred to above. The ECashBuilder assets were disinvested on 28 September and paid across to Aegon

on 12 October as agreed as part of the project. The Trustee had negotiated with Aegon that members would not be subject to any out of market risk, or subject to any transaction costs incurred during the bulk transfer. In November a second payment was made to Aegon of approximately £56,000. This payment was made to correct an IT error which resulted in a failure to disinvest all the assets on 28 September 2021. Calculations were carried out to ensure that no members were disadvantaged by this error. Based on the above the Trustee considers that overall the core financial transactions were processed promptly and accurately during the 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 costs that are borne by members. In the context of this statement the transaction costs shown are those incurred when ECashBuilder's fund managers buy and sell assets within investment funds. The charges and transaction costs for ECashBuilder have been supplied by Scottish Widows, who are ECashBuilder's administrator and for some funds, also the investment manager.

The charges and transaction costs shown cover the period 1 January – 31 December 2021 (however members were only invested in these funds until 28/29 September 2021). There is no missing transaction cost data.

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

Charges can have a significant impact on the total fund value over time so below we show some projected fund values for some example members both before and after the charges.

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

Over 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 the charges and transaction costs on different investment options for members whilst they were enrolled in ECashBuilder (ie prior to the transfer to the Aegon Master Trust). 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 occupational pension schemes' on the projection of an example member's pension savings.'

Notes:

As each member had a different amount of savings within ECashBuilder, 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 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 size is assumed to be £10,000
- The assumptions used in this illustration follow the Financial Reporting Council's AS TM1 guidance. Inflation is assumed to be 2.5% each year.
- It is assumed that no further contributions are made.
- The values shown are estimates and are not guaranteed.
- For the default lifestyle strategy, shown below, the projected growth rate varies over time as the funds invested in it change.
- The charges assumed for each fund are those shown in this statement.

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 a member approaches retirement. The actual return will depend on the funds chosen for each stage

and the actual timing of any changes. When comparing possible returns from different funds, it is noted that higher risk funds will provide higher illustrative returns.

Years to retirement	Projected Growth Rate (average)
1	1.00% below inflation
3	1.00% below inflation
5	0.90% below inflation
10	0.40% below inflation
15	0.10% above inflation
20	0.30% above inflation
25	0.50% above inflation
30	0.60% above inflation
35	0.60% 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 22	
	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	£9,920	£9,850	£10,000	£10,000	£10,100	£10,000	£10,100	£10,000	£10,100	£10,000
3	£9,740	£9,520	£10,100	£9,960	£10,300	£10,100	£10,300	£10,100	£10,300	£10,100
5	£9,560	£9,210	£10,100	£8,760	£10,500	£10,100	£10,500	£10,100	£10,500	£10,100
10			£9,680	£9,000	£11,100	£10,300	£11,100	£10,300	£11,100	£10,300
15					£11,200	£10,100	£11,700	£10,500	£11,700	£10,500
20					£10,800	£9,350	£12,400	£10,800	£12,400	£10,800
25							£12,600	£10,500	£13,100	£11,000
30							£12,000	£9,720	£13,800	£11,200
35									£14,500	£11,300

3.2 Level of costs and charges

In addition to the default arrangement, members also had the option to invest in two other lifestyle strategies and several other self-select funds. The level of charges for each self-select fund, including those used in the lifestyle strategies, are set out in the following table. The underlying funds for the lifestyle strategies, including those used in the default arrangements are shown in bold.

Transaction costs are the costs associated with buying and selling the assets within the fund. These figures include an element of 'slippage cost' which is the difference between the price at the time the instruction was sent to the market and the price that is used when the trade is carried out. It is possible for the slippage cost to be negative; for example if the price at the time the instruction was sent is higher than the price actually paid. Negative transaction costs can also occur where managers are able to offset the purchases and sales in any one fund as a way of reducing the transaction costs paid by members.

The table below sets out the annualised charges and transaction costs for the period 1 January – 31 December 2021. The member borne charges for the default arrangement complied with the charge cap.

Funds	Fund based charge (bps)	Fund manager charge (bps)	Total member charges (bps)	Transaction cost (bps)
EFundBuilder	26.0	29.1	55.1	12.1
EFlexibleIncomePot	33.0	35.0	68.0	5.9
EPensionPurchasePot	33.0	9.1	42.1	0.0
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	0.0
Threadneedle Global Equity	41.0	38.0	79.0	41.1
Aquila Index-Linked Over 5 Year Gilt Index	34.0	7.9	41.9	0.0

Funds	Fund based charge (bps)	Fund manager charge (bps)	Total member charges (bps)	Transaction cost (bps)
Threadneedle UK Corporate Bond	29.0	33.5	62.5	9.6
Zurich Deposit and Treasury	22.0	18.8	40.8	1.1
Zurich Property	20.0	60.1	80.1	0.0
Zurich Managed Fund	11.0	41.6	52.6	0.2
Zurich Mixed Investments Fund	36.0	36.9	72.9	10.5
HSBC Islamic (Shariah)	33.0	35.0	68.0	2.8

The age profile of ECashBuilder members means that the majority of funds were invested in EFundBuilder, which is the growth phase of the default arrangement, with a charge of 55.1bps.

The maximum charge that would have been levied on the members in the default arrangement was 68bps which applied to those who were invested 100% in EFlexibleIncomePot.

3.3 Self-select options: effect of costs and charges on members' pots

Below are the projected fund values, both before and after charges for a typical member in one of the self-select investment funds. The notes in Section 3.1 also apply to these illustrations.

The illustrations shown below 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. The funds are chosen as follows:

- Lowest charges
- Highest net return
- Lowest return
- Highest charges

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

	Fund	Projected Growth Rate
1	ERetirementLumpSum	1.0% below inflation
2	SW Aquila World ex-UK Equity Index CS1	1.9% above inflation
3	SW Aquila IL Over 5 Year Gilt Index CS1	2.0% below inflation
4	SW Property CS1	1.4% above inflation

This table shows the development of the projected pot size over a 35 year period assuming the pension pot is invested fully in the fund listed.

Years	ERetirementLumpSum		SW Aquila World ex-UK Equity Index CS1		SW Aquila IL Over 5 Year Gilt Index CS1		SW Property 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	£9,900	£9,860	£10,100	£10,100	£9,800	£9,760	£10,100	£10,000
3	£9,710	£9,590	£10,500	£10,400	£9,420	£9,300	£10,400	£10,100
5	£9,530	£9,330	£11,000	£10,700	£9,060	£8,870	£10,700	£10,300
10	£9,080	£8,710	£12,100	£11,600	£8,210	£7,860	£11,500	£10,600
15	£8,650	£8,140	£13,300	£12,500	£7,440	£6,980	£12,400	£10,900
20	£8,250	£7,600	£14,700	£13,500	£6,740	£6,190	£13,300	£11,300
25	£7,860	£7,090	£16,200	£14,600	£6,110	£5,490	£14,300	£11,600
30	£7,490	£6,620	£17,800	£15,700	£5,530	£4,870	£15,400	£12,000
35	£7,140	£6,180	£19,600	£17,000	£5,010	£4,320	£16,600	£12,400

4 Investment returns

The investment return for the default arrangements and self-select funds, after deduction of charges and transaction costs is shown in the [ECashBuilder investment performance](#) section. This shows the investment return over the period 1 January – 28 September 2021 when the transfer to the Aegon Master Trust commenced.

When preparing these returns the Trustee has taken account of the relevant statutory guidance.

5 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 ECashBuilder membership as a whole, when compared to other options available in the market.

The Trustee reviewed all member-borne charges (including transaction costs where available) over the scheme year with the aim of ensuring that members were obtaining value for money given the circumstances of the Scheme. The last review was carried out for the period commencing 1 January 2021 until the completion of the transfer to the Aegon Master Trust and noted that the Trustee had transferred ECashBuilder to the Aegon Master Trust as it believed this would provide better value for members than was available within the Scheme.

The 2021 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 ECashBuilder 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;
- used judgment to determine the extent to which ECashBuilder members receive good value.

The Trustee assessment included a review of the performance of the ECashBuilder 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).

As demonstrated 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 concluded that the members of ECashBuilder received fair value for money for the charges and costs they incurred, in particular:

- ECashBuilder members benefitted from good governance with a strong trustee board and the support of a professional in-house pensions team. This has been enhanced with the appointment of a specialist DC Manager.
- There is a comprehensive risk management framework in place and effective monitoring of the administration service and investment performance.
- Members benefit from an effective administration service, with no complaints. Performance against service levels for time critical processes (core financial transactions) was good, although below the 95% agreed SLA.
- Member communication channels are considered effective and the pension freedoms offering is comparable to that offered by other schemes in the market. There is a good website with modeling tools and substantial information for members including key documents, education on pensions and retirement options and investment options.
- Value is added through the provision of newsletters and newsflashes.
- The transfer to the Aegon Master Trust took place because the Trustee considered it would provide better value for members than could be offered within the Scheme. During this project:

- The Trustee took advice from its investment adviser and legal adviser to ensure good governance of the project.
- The project was led by the DC Manager on behalf of the Trustee and all parties involved in the project had experience of similar transitions.
- Members were not subject to any out-of-market risk or transaction costs as a result of the move.
- Members received communications both before and after the transition and the DC Manager reviewed the Aegon welcome communications.

The assessment of fair value is the same as the 2020 assessment as the key reasons for the assessment were the delayed investment review and the high charges. These did not change for the period being assessed, although the transfer to the master trust was the outcome of the Trustee's discussions around both of these.

6 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 SIP 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 CPD⁴ 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:
 - Long term journey planning (3 March 2021)
 - Selecting a master trust (3 March 2021)
 - Assessing a master trust (23 March 2021)
 - Cyber security (30 September 2021)
- 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 2021.
- 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.

⁴ Continuing Professional Development

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.

7 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 expectations set out in the Code and associated Guides with the exception of the following expectations:
 - Five expectations were assessed as Not Applicable:
 - 2 expectations relating to information from the employer which is not relevant following the closure of ECashBuilder to new contributions in 2018.
 - 1 expectation relating to the Trustee seeking professional advice in the situation where it is not clear whether an arrangement is a default arrangement.
 - 1 expectation around steps the Trustee should take if it is unlikely to comply with the charge cap.
 - 1 expectation around ensuring members are informed that the level of contributions is a key factor in determining the overall size of their pension fund.
 - Two expectations are not met:
 - 1 expectation related to assessing the effectiveness of investment decision making. This was due to having been considered as part of the investment review that commenced in September 2020 but that resulted in the move to the Aegon Master Trust.
 - 1 expectation related to obtaining member feedback. This was assessed as partially met as member focus groups had been held early in 2019. It was noted that following the closure of the scheme the opportunities for obtaining direct member feedback was limited.
- 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 2021.

8 Conclusion

Taking account of all the above, the Trustee believe that ECashBuilder provided fair value for members prior to the transfer to the Aegon Master Trust and is expected to deliver improved value for members following the transfer. This statement was approved by the Trustee on 28 July 2022 and signed on their behalf by:



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

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

Qualified opinion

We have audited the financial statements of the Endsleigh Insurance Services Limited Pension and Assurance Scheme ('the Scheme') for the year ended 31 December 2021 which comprise the Fund Account, the Statement of Net Assets available for benefits and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section, the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2021, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for qualified opinion

Included within the Scheme's net assets are insurance policies relating to 32 individual members valued at £5,460,000 (2020: £6,370,000) for which we have not been provided with sufficient appropriate audit evidence to confirm their ownership.

Direct confirmations from the Insurers are required to confirm ownership of the policies. For those policies, the Insurer was not yet able to provide confirmation of ownership due to the length of time that has passed since these policies were entered into and the inability of the Insurer to create a link between them and the Trustee.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements, our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 8, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Trustee is responsible for assessing the 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 intend to wind up the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustee.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Act 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes). We considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.
- We understood how the Scheme is complying with these legal and regulatory frameworks by making enquiries of the Trustee. We corroborated our enquiries through our review of the Trustee's meeting minutes.
- We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Scheme has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. In our assessment, we considered the risk of management override of controls. Our audit procedures included verifying cash balances and investment balances to independent confirmations, testing manual journals on a sample basis and also those journals where there is an increased risk of override, and an assessment of segregation of duties. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustee for its awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of Trustee's minutes.
- The Scheme is required to comply with UK pensions regulations. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Scheme with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Ernst & Young LLP

Statutory Auditor

Reading

Date 30 September 2022

Financial statements

Fund account for the year ended 31 December 2021

£000s	Note			Restated			
		EPB 2021	ECB 2021	Total 2021	EPB 2020	ECB 2020	Restated Total 2020
Contributions and benefits							
Employer contributions	5	6,500	-	6,500	6,500	-	6,500
Transfers in	6	72	-	72	5	-	5
		6,572	-	6,572	6,505	-	6,505
Benefits	7	(2,529)	(13)	(2,542)	(2,228)	(34)	(2,262)
Payments to and on accounts of leavers	8	(1,419)	(20,983)	(22,402)	(2,462)	(597)	(3,059)
Administrative expenses	9	(1)	(20)	(21)	-	-	-
		(3,949)	(21,016)	(24,965)	(4,690)	(631)	(5,321)
Net additions / (withdrawals) from dealings with members		2,623	(21,016)	(18,393)	1,815	(631)	1,184
Net return on investments							
Investment income	10	3,648	-	3,648	7,863	-	7,863
Change in market value of investments	11	(4,904)	1,674	(3,230)	24,382	881	25,263
Investment management expenses	12	(109)	(48)	(157)	(159)	(47)	(206)
		(1,365)	1,626	261	32,086	834	32,920
Net increase / (decrease) in the fund		1,258	(19,390)	(18,132)	33,901	203	34,104
Net assets of the Scheme							
Opening net assets		236,780	19,390	256,170	202,879	19,187	222,066
Closing net assets		238,038	-	238,038	236,780	19,390	256,170

Statement of net assets available for benefits as at 31 December 2021

£000s	Note			Restated			
		EPB 2021	ECB 2021	Total 2021	EPB 2020	ECB 2020	Restated Total 2020
Investment assets							
Pooled investment Vehicles	14	231,249	-	231,249	230,397	19,397	249,794
Insurance policies	11	5,460	-	5,460	6,370	-	6,370
Total net investments		236,709	-	236,709	236,767	19,397	256,164
Current assets	19	1,439	-	1,439	876	20	896
Current liabilities	20	(110)	-	(110)	(863)	(27)	(890)
Total net assets available for benefits		238,038	-	238,038	236,780	19,390	256,170

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 in the Scheme funding section of this 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 were approved by the Trustee on 30 September 2022 and were signed on its behalf by:

Director 

Name Clive Gilchrist

1 General information

Endsleigh Insurance Services Limited Pension and Assurance Scheme ('the Scheme') is established as a trust under English Law. The address for enquiries is ZPen Team, PO Box 377, Darlington, DL3 6XY. On 12 November 2021, the registered address for the Trustee changed to Unity Place, 1 Carfax Close, Swindon, SN1 1AP.

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. It also had a defined contribution ("DC") section which was open to new members until the Scheme fully closed in March 2018 and then subsequently moved to the Aegon Mast Trust in September 2021. Before its closure, the Scheme was used as an auto-enrolment scheme by the employer.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by the employer and members 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 Scheme have been prepared in accordance with Section 41(1) and (6) of the Pensions Act 1995 (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").

The financial statements have been prepared on the going concern basis. In assessing the appropriateness of the going concern basis of accounting, the Trustee considered a period of 12 months from the date that the financial statements are approved.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP).

b) 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 Principal Employer and the Trustee.

c) 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.

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 and change in market value

Investment income from pooled investment vehicles is accounted for when declared by the fund manager.

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

Investment income arising from pooled investment vehicles is accounted for when declared by the Fund 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 Restatement of prior year balances

LDI re-leveraging payments received

During the prior year, the Scheme received income from Insight in the form of special dividends, as a result of re-leveraging events, following the increase in value of an Insight LDI fund. This was then accounted as Change in market value of investments in error and a subsequent review in the current period has determined that this should be classified as investment income. As a result, below balances were restated.

	As previously reported	Adjustment	As restated
£000s	EPB 2020	EPB 2020	EPB 2020
Investment income	-	7,863	7,863
Change in market value of investments	32,245	(7,863)	24,382
	32,245	-	32,245

5 Contributions

£000s	EPB 2021	ECB 2021	Total 2021	EPB 2020	ECB 2020	Total 2020
Employer contributions						
Deficit funding	6,500	-	6,500	6,500	-	6,500
	6,500	-	6,500	6,500	-	6,500

The deficit funding contributions are to improve the Scheme's funding position in accordance with the agreed schedule of contributions. Following the 31 December 2017 valuation EFS 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.

As a result of the 31 December 2020 valuation a new schedule of contributions has been agreed and was approved on 29 March 2022. Contributions of £11.38m will be paid by the Employer annually on 30 June each year (starting from 30 June 2022 until 30 June 2026). The final contribution payable on 30 June 2027 will be £14.87m.

6 Transfers in

£000s	EPB 2021	ECB 2021	Total 2021	EPB 2020	ECB 2020	Total 2020
Transfers in	72	-	72	5	-	5
	72	-	72	5	-	5

Transfers in are in respect of benefits built up in Endsleigh's 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 in March 2018.

7 Benefits paid or payable

£000s	EPB 2021	ECB 2021	Total 2021	EPB 2020	ECB 2020	Total 2020
Pensions	(2,074)	-	(2,074)	(1,716)	-	(1,716)
Commutations and lump sum retirement benefits	(455)	(13)	(468)	(500)	(14)	(514)
Lump sum death in retirement benefits	-	-	-	(12)	(20)	(32)
	(2,529)	(13)	(2,542)	(2,228)	(34)	(2,262)

Pensions include £241k paid directly by the Annuity provider to the pensioners.

8 Payments to and on accounts of leavers

£000s	EPB 2021	ECB 2021	Total 2021	EPB 2020	ECB 2020	Total 2020
Payments to and on accounts of leavers	(1,419)	(391)	(1,810)	(2,462)	(597)	(3,059)
Bulk transfer out	-	(20,592)	(20,592)	-	-	-
	(1,419)	(20,983)	(22,402)	(2,462)	(597)	(3,059)

The Bulk transfer out is related to the full transfer of the ECashBuilder benefits to the Aegon Master Trust, in September 2021. This occurred following a review of the investment options and Trustee's conclusion that the members of this section, could get improved value for money in the master trust.

9 Administrative expenses

£000s	EPB 2021	ECB 2021	Total 2021	EPB 2020	ECB 2020	Total 2020
Legal fees	-	(20)	(20)	-	-	-
Bank charges	(1)	-	(1)	-	-	-
	(1)	(20)	(21)	-	-	-

The legal fees balance is a contribution towards the legal costs associated with the transfer to the Master Trust.

10 Investment income

£000s	EPB 2021	ECB 2021	Total 2021	Restated EPB 2020	Restated ECB 2020	Restated Total 2020
Income from pooled investment vehicles	3,407	-	3,407	7,863	-	7,863
Annuity income	241	-	241	-	-	-
	3,648	-	3,648	7,863	-	7,863

Income from pooled investment vehicles represents capital returned to the Scheme in the form of special dividends, as a result of re-leveraging events, following the increase in value of an Insight LDI fund.

11 Reconciliation of investments

On 30 September 2021 the ECashBuilder section of the Scheme was transferred to Aegon Master Trust resulting in the Nil balance as at the Scheme year end.

£000s	Opening Value	Purchases at cost	Sale proceeds	Change in market value	Closing Value
EPensionBuilder					
Pooled investment vehicles	230,397	43,825	(38,979)	(3,994)	231,249
Insurance Policies	6,370	-	-	(910)	5,460
ECashBuilder					
Pooled investment vehicles	19,397	-	(21,071)	1,674	-
Total net investments	256,164	43,825	(60,049)	(3,230)	236,709

12 Investment Management expenses

£000s	EPB 2021	ECB 2021	Total 2021	EPB 2020	ECB 2020	Total 2020
Charges deducted by way of cancellation of member units	-	(48)	(48)	-	(47)	(47)
Management Fees	(109)	-	(109)	(159)	-	(159)
	(109)	(48)	(157)	(159)	(47)	(206)

13 Investment Transaction costs

There were no direct transaction costs during the year. In addition, indirect costs were incurred through the bid-offer spread on pooled investment vehicles.

14 Pooled Investment Vehicles

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

£'000	Opening Value	Purchases at cost	Sale proceeds	Change in market value	Closing Value
EPensionBuilder					
Unit Linked insurance contracts	166,541	6,200	(31,979)	6,400	147,162
Open ended investment companies	63,856	37,625	(7,000)	(10,394)	84,087
ECashBuilder					
Unit Linked insurance contracts	19,397	-	(21,071)	1,674	-
Total net investments	249,794	43,825	(60,050)	(2,320)	231,249

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

£'000	EPB 2021	ECB 2021	Total 2021	EPB 2020	ECB 2020	Total 2020
Equities	75,044	-	75,044	77,704	14,362	92,066
Bonds	72,117	-	72,117	88,837	2,015	90,852
Property	-	-	-	-	2,556	2,556
LDI	72,552	-	72,552	57,320	-	57,320
Cash	11,536	-	11,536	6,536	464	7,000
Total	231,249	-	231,249	230,397	19,397	249,794

15 Insurance policies-annuities

The Trustee holds insurance policies relating to 32 individual members valued at £5,460,000 (2020: £6,370,000) with Legal and General, which provide annuity income to cover pensions for certain members. These insurance policies have been valued and included in the financial statements under the requirements of the Statement of Recommended Practice (SORP) 2018. The policies are valued annually by the Scheme Actuary using the funding basis assumptions from the most recent triennial valuation shown in the Scheme funding section of this report.

Direct confirmations from the Insurers are required to confirm ownership of the policies. For these policies, the Insurer was not yet able to provide confirmation of ownership to the auditor due to the length of time that has passed since these policies were entered into and the inability of the Insurer to create a link between them and the Trustee.

As a result, the audit opinion on the financial statements has been qualified in respect of the rights & obligations of the insurance policies as their ownership by the Trustee of the Scheme could not be confirmed.

16 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				
£'000	1	2	3	2021 Total
EPensionBuilder section				
Pooled investment vehicles	-	231,249	-	231,249
Insurance policies	-	-	5,460	5,460
	-	231,249	5,460	236,709

Category				
£'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

17 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.

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 (2021: £231.2m, 2020: £230.4m). 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 all of the bonds being A (S&P) rated or above. 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 Fund Managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on appointment of new pooled fund managers and on an on-going basis monitors any changes to the operating

environment of the pooled fund 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 in the [investment report](#).

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 16%. At the year-end the exposure was 16% (2020 17%).

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 (2021: £144.7m, 2020: £146.2m). 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 36.4% of the total investment portfolio (2020: 27.6%).

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% (2021: £75.0m, 2020: £77.7m) 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.

18 Concentration of investments

Investments accounting for more than 5% of the Scheme's assets were:

£000s	2021		2020	
	Value	%	Value	%
Global Equity 50:50 Index	75,044	31.7%	77,704	30.3%
AAA-AA-A Bonds-All Stks Index	49,949	21.1%	53,895	21.0%
LDI Enhanced Selection Longer Nominal	47,509	20.1%	32,461	12.7%
LDI Enhanced Selection Longer Real	25,042	10.6%	24,858	9.7%
AAA-AA-A Bonds-Over 15y Index	22,169	9.4%	22,058	8.6%
EFundBuilder ZP	-	0.0%	18,207	7.1%
Over 15y Gilts Index	-	0.0%	12,885	5.0%
Total	219,713		242,068	

19 Current assets

£000s	EPB	ECB	Total	EPB	ECB	Total
	2021	2021	2021	2020	2020	2020
Cash Balances	1,439	-	1,439	876	20	896
	1,439	-	1,439	876	20	896

20 Current liabilities

£000s	EPB	ECB	Total	EPB	ECB	Total
	2021	2021	2021	2020	2020	2020
Other Creditors	(69)	-	(69)	(72)	-	(72)
Unpaid Benefits	-	-	-	(544)	(27)	(571)
ZES customer account	(41)	-	(41)	(247)	-	(247)
	(110)	-	(110)	(863)	(27)	(890)

21 Contractual commitments and contingent liabilities

There were no significant contractual commitments or contingent liabilities as at 31 December 2021 (2020: nil).

22 Related party transactions

Key management personnel

BESTrustees plc received fees of £27k (2020: £25k) during the year in respect of duties as independent Trustee director.

Employer and other related parties

All Scheme expenses, except for the EPensionBuilder asset management fees, are met by EFS. The asset management fees are initially settled by Zurich Employment Services Ltd and then recharged to the Scheme on a quarterly basis. Amounts due to be settled as at 31 December 2021 are disclosed in note 20 as ZES customer account.

The Trustee has contributed £20k to the legal fees incurred by EFS in connection to a Master Trust transfer. The payment was made by liquidating ECashBuilder orphan assets held by the Trustee.

23 Subsequent events

On 24 February 2022 Russia invaded Ukraine which has resulted in a period of uncertainty for the global economy and financial markets, in turn creating significant volatility in the valuation of investment assets, including fluctuations from the impact global inflation and interest rate outlook. The Trustee will keep the situation under review over the coming months, including implications for investment strategy and risk management. No adjustments have been made to the financial statements as a result of the fluctuations to the investment assets.

24 Employer-related investments

The EPensionBuilder arrangement includes indirect investments in the Zurich Group through pooled investment vehicles accounting for less than 0.1% of the Scheme's assets. (2020: less than 0.1%).

25 Guaranteed minimum pensions (GMP) equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. A subsequent ruling stated that schemes providing GMPs must revisit and, where necessary, top-up historic cash equivalent transfer values paid out which were calculated on an unequal basis. The Trustee is now reviewing, with its advisers, the implication of these rulings on the Scheme and the equalisation of GMPs between men and women in the context of the rules of the Scheme and the value of any liability. As soon as this review is finalised and any liability quantified, members will receive further communication and any impact on financial reporting will be considered by the Trustee. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

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

We have examined the summary of contributions to the Endsleigh Insurance Services Limited Pension and Assurance Scheme for the Scheme year ended 31 December 2021 which is set out on page 37.

In our opinion contributions for the Scheme year ended 31 December 2021 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the scheme actuary on 25 March 2019.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 37 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

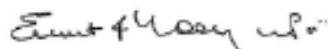
Respective responsibilities of Trustees and the auditor

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 the employer in accordance with the schedule of contributions.

It is our responsibility to provide a Statement about Contributions paid under the schedule of contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Scheme's Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our work, for this statement, or the opinions we have formed.



Ernst & Young LLP

Statutory Auditor

Reading

Date 30 September 2021

Summary of contributions payable during the year

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

Amount in £'000	EPB 2021	ECB 2021	Total 2021
Required by the schedules of contributions and Scheme rules			
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 September 2022 and is signed on its behalf by:

Director 

Name Clive Gilchrist

Endsleigh Insurance Services Limited Pension and Assurance Scheme

Certification of the Schedule of Contributions

Adequacy of rates of contributions

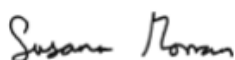
I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected on 31 December 2020 to be met by the end of the period specified in the Recovery Plan dated 29 March 2022.

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 29 March 2022.

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:



Date:

29 March 2022

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 than 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. The kinds of investments to be held.
 - 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. The balance between different kinds of investment

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. Risk

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	<ul style="list-style-type: none"> Engagement with the Adviser, fund managers and investment platform provider to understand the potential implications for the DC assets.

	economy. This is a macro-economic risk.	
Counterparty risk	The failure of the investment platform provider.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Fund performance is monitored on a regular basis.

	it is being assessed against in the long term.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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

28 July 2022

Background

In 2019, the government published regulations⁵ 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 legislation⁶ 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 (the Statement) 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 2021 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 2021 the Trustee did not review the SIP and therefore the SIP has not been changed during the Scheme year. The last review took place in 2020 and the SIP was formally approved by the Trustee on 28 September 2020. Prior to formally approving the SIP on that date, the Trustee’s investment and legal advisers reviewed the SIP to ensure it continued to comply with all legal requirements and to incorporate the Trustee’s responsible investment strategy in line with investment regulations. The SIP will be next be reviewed by the Trustee following the investment strategy review in 2022, as part of the review, all DC related policies will be removed following the move to Aegon Master Trust from ECashBuilder.

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

In the opinion of the Trustee, the policies set out in the SIP dated 28 September 2020, have been adhered to. The rest of this Statement explains how and the extent to which these policies have been adhered to.

During the year the Trustee agreed to move ECashBuilder to the Aegon Master Trust with the transfer of the DC assets commencing on 28 September 2021 and completing on 12 October 2021. In relation to the DC assets, this Statement covers how the policies in the SIP were followed for the DC assets between 1 January 2021 until 12 October 2021.

Policies for choosing and realising investments, and the kinds of investments to be held⁷

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.

⁵ Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

⁶ 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)

⁷ Sections 2.2, 2.3 and 2.7 from the SIP

- For the DB assets, EPensionBuilder, the policies are fulfilled by identifying appropriate objectives which reflect the risk and return requirements and then constructing a portfolio of investments to meet these objectives.

A review of the interest rate and inflation hedging ratios took place in Q1 2021 as long-dated yields had risen significantly during the quarter, and there was an opportunity to increase hedging levels. The Trustee agreed to increased hedging levels, on a technical provisions basis, of 84% and 81% for interest rate and inflation respectively. The increase to the liability driven investment (LDI) funds to enable increased hedging ratios was facilitated by selling the UK Gilts fund allocation and reducing the UK Corporate Bond fund allocation. An additional allocation to the Cash fund was also agreed due to the increased liquidity risk associated with LDI funds. The Trustee approved the change on 23 March 2021, following formal advice from the Trustee’s investment adviser, Barnett Waddingham. See table below for the asset allocations before and after the change.

Fund	Asset allocation – pre-review	Amended asset allocation	Change
Equities	32%	32%	N/A
UK Corporate Bonds 15Y+	10%	10%	N/A
UK Corporate Bonds	24%	23%	-1%
UK Government 15Y+	6%	0%	-6%
LDI – Longer nominal	15%	19%	+4%
LDI – Longer real	10%	11%	+1%
Cash	3%	5%	+2%

Following the completion of the latest triennial valuation, signed on 29 March 2022, the Trustee will review the investment strategy during 2022.

- For the DC assets, ECashBuilder, the Trustee identified a suitable range of options, including both lifestyle strategies and investment funds which were made available to members via Scottish Widows, the Scheme’s investment platform provider. No changes were made to the DC investment options provided by the Trustee prior to the transfer to the Aegon Master Trust.

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 returns⁸

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.

⁸ Sections 2.1, 2.5 and 2.6 from the SIP

During the year, the Trustee monitored the return on assets on a quarterly basis. The strategic asset allocation (SAA) has been updated in Q1 2021 to account for the increase in interest rate and inflation hedging and the increase to cash. Assets were monitored and re-balanced on a quarterly basis. Where possible, re-balancing was done with the regular outflows (for example, pensioner payroll) to reduce unnecessary transaction costs.

The Trustee has an Integrated Risk Management (IRM) policy that it adheres to. Risk monitoring has been reported to the Trustee board on a quarterly basis. Any investment strategy decisions are taken in the context of IRM, this includes the investment strategy refinements referred to in the previous section.

DC assets: ECashBuilder

Prior to the transfer to the Aegon Master Trust, the Trustee's objectives were 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

The Scheme closed to new contributions in 2018, but the Trustee believed that prior to the transfer to the Aegon Master Trust these options (together with the contributions received to date) would provide a fund with which to provide an income in retirement for members. Two default strategies were in place prior to the transfer to the Aegon Master Trust:

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

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

The Trustee used 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.

Following a review of the ECashBuilder investment options in 2020, the Trustee believed that members of ECashBuilder could get improved value for money in a master trust. A selection exercise was carried out early in 2021 with the support of Barnett Waddingham and presentations were received from four providers in March 2021. This resulted in Aegon being put forward to the Principal Employer, EFS Financial Services Ltd, as part of a recommendation to transfer ECashBuilder to a master trust. This recommendation was accepted by EFS in May 2021.

The Trustee agreed to proceed with the final transfer at its meeting in September 2021 with the disinvestment completing on 12 October 2021.

Following the transfer to the Aegon Master Trust there are no benefits remaining in ECashBuilder.

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 2021:

Policy & response⁹

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 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

On 17 January 2021, the Trustee discussed responsible investment practices with Insight Investment Management (Global) Limited (the LDI Manager). For more information on the topics that were discussed, please see the below section entitled 'Engagement with fund managers'

In this Statement and in the SIP, reference to "Fund Managers" means LGIM and the LDI Manager. Any reference to "fund managers" includes ECashBuilder fund managers or any other external fund manager.

In September 2021, the Trustee considered its responsible investment strategy at the Trustee Board. The Trustee concluded it was satisfied with its current approach, ensuring ESG integration is focused on the fund manager selection and monitoring process, with its Funds Managers employing active ownership of the assets held.

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.

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

⁹ The references are in relation to the specific policy set out in the SIP

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 the Fund Managers on a regular basis (see Engagement with fund managers, below, for examples of meetings) and RI remains a standing item for the Fund Managers. RI is discussed less regularly with the LDI Manager 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 were within EFundBuilder and held by BlackRock and Columbia Threadneedle Investments (CTI). For more information on the exercise of voting rights and significant votes, please see below section entitled "ECashBuilder".

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 were aligned with its own guiding principles. 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.

Because the Trustee used Scottish Widows as a platform provider, the Trustee did not have direct relationships with the DC fund managers; that relationship was held by Scottish Widows. The Trustee found that direct meetings with Scottish Widows was the most effective way to engage on responsible investment and voting records.

On 13 May 2021, a meeting was held with Scottish Widows and ZPen team representatives including discussions on the Scottish Widows' approach to responsible investment and the work it is doing.

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.

Engagement with fund managers

The Trustee engages with the fund managers regularly. This includes engagements through meetings with Trustee and ZPen team representatives. The Trustee has found direct meetings with the fund managers is the most effective ways to engage on responsible investment and voting records.

Annual Responsible Investment meetings – 17 January - 17 February 2021

The Responsible Investment meetings 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 and Investment 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:

- Responsible investment updates through 2020 (including policy changes/personnel)
- TCFD requirements
- Specific examples of voting and engagement
- Current RI reporting disclosures

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 stated 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.

During the financial year, the Scheme had 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 stated in the 'Policy and response' section, the Trustee is satisfied that LGIM'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 in the 'EPensionBuilder' section below.

EPensionBuilder

LGIM's statistics showed the following:

- **2,764 meetings in total**
- **34,597 individual resolutions**
 - 99.92% of the resolutions were voted on, from which 82.89% voted with management, 17.00% against management and 0.12% abstained
 - In 68.58% of meetings voted on at least one vote was against management
 - 11.72% of resolutions, the vote was contrary to the recommendation of LGIM's proxy adviser ISS

Significant votes

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. This information has been provided by LGIM, and references to "our" and "we" throughout this section are references to LGIM, not the Trustee.

Company name	Microsoft Corporation
Date of vote	2021-11-30
Summary of the resolution	Elect Director Satya Nadella
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 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	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight
Outcome of the vote	94.7% of shareholders supported the resolution.

Company name	Mitsubishi UFJ Financial Group, Inc.
Date of vote	2021-06-29
Summary of the resolution	Resolution 3 Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement
How you voted	For

Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions 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	Climate change: A vote in favour of this shareholder proposal is warranted as LGIM expects companies to be taking sufficient action on the key issue of climate change. While we positively note the company's recent announcements around net-zero targets and exclusion policies, we think that these commitments could be further strengthened and we believe the shareholder proposal provides a good directional push.
Outcome of the vote	22.7% of shareholders supported the resolution.

Company name	McDonald's Corporation
Date of vote	2021-05-20
Summary of the resolution	Resolution 5 Report on Antibiotics and Public Health Costs
How you voted	LGIM voted in favour of the shareholder resolution (against management).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Given our recent engagement with the company on the topic of antibiotic use in their supply chain and our decision to publicly pre-declare our support to the shareholder resolution on the topic, we exceptionally decided to communicate our vote intentions to the company as part of our continuous engagement with them.
Rationale for the voting decision	LGIM voted in favour as we believe the proposed study will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) is a key focus of the engagement strategy of LGIM's Investment Stewardship team. We believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, its people, and global GDP. Whilst LGIM applauds the company's efforts over the past few years on reducing the use of antibiotics in its supply chain for chicken and beef as well as pork, we believe AMR is a financially material issue for the company and other stakeholders, and we want to signal the importance of this topic to the company's board of directors.
Outcome of the vote	11.3% of shareholders supported the resolution.

Company name	Wells Fargo & Company
Date of vote	2021-04-27
Summary of the resolution	Resolution 7 Report on Racial Equity Audit
How you voted	LGIM voted for the resolution (management recommendation: against).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions 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	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.
Outcome of the vote	12.9% of shareholders supported the resolution.

Company name	Sumitomo Corporation
Date of vote	2021-06-18

Summary of the resolution	Shareholder Resolution 5 – Amend Articles to Disclose Plan Outlining Company’s Business Strategy to Align Investments with Goals of Paris Agreement
How you voted	For Shareholder Resolution 5 (against management recommendation)
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions 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	Having reviewed Sumitomo Corporation’s disclosures and engaged in dialogue with the company, LGIM has decided to vote in favour of Shareholder Resolution 5, as described above. We note the company’s efforts on the climate transition, in particular the enhanced commitments announced over the past couple of months. However, we continue to have concerns regarding the alignment of interim pathways with a 1.5 degree scenario. We believe our support for the shareholder resolution will help signal the importance of the climate emergency for us as a large investor and our expectations for companies to align urgently with the goals of the Paris Agreement. We look forward to engaging further and hope to see the company provide increased transparency around its short and medium-term targets and expedite its efforts to give shareholders comfort that it is on track to achieve its 2050 carbon neutrality commitment.
Outcome of the vote	20% of shareholders supported the resolution.

ECashBuilder

Description of the voting process¹⁰

BlackRock

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Our voting guidelines are market-specific to ensure we take into account a company's unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our engagement priorities are global in nature and are informed by BlackRock’s observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets.

We welcome discussions with our clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our [Global Principles](#), BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company’s approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company’s unique circumstances where relevant. We inform our vote decisions through research and engage as necessary.

If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock’s Investment Stewardship team would not implement the policy ourselves, but the client would engage a third-party voting execution platform to cast the votes.

JPM

JP Morgan votes in line with their voting policy as they are given voting rights (in their role as mangers) by their clients.

¹⁰ Description provided directly from the fund managers

JP Morgan uses a third party corporate governance data provider, ISS ProxyExchange, to receive meeting notifications, provide company research, process its votes and obtain voting recommendations. The recommendations provided by ISS ProxyExchange form only the starting point for JP Morgan's proprietary thinking, and all of its voting decisions are made on a case-by-case basis by in-house specialists in conjunction with the Analyst and/or Fund Manager in reference to the JP Morgan Asset Management Corporate Governance Policy and Voting Guidelines.

Threadneedle Asset Management

Threadneedle believes that Annual General Meetings ("AGM") provide an important opportunity for review of and engagement with companies. Ahead of shareholder meetings and voting action, where practical, Threadneedle engages with companies through consultations and directly with their core holdings. Where engagement is not possible ahead of an AGM, Threadneedle looks to follow-up with companies where possible afterwards.

Although Threadneedle subscribes to proxy advisors' research, votes are determined under Threadneedle's own custom voting policy which is regularly updated. The Responsible Investment ("RI") team assesses the application of the policy and makes final voting decisions in collaboration with Threadneedle's portfolio managers and analysts. Votes are cast identically across all mandates for which Threadneedle have voting authority. All of Threadneedle's voting decisions are available for inspection on its website seven days after each company meeting. Threadneedle utilises the proxy voting research of ISS and Glass Lewis & Co., which is made available to their investment professionals, and the RI team will also consult on many voting decisions.

Exercise of voting rights

Voting statistics

The voting statistics presented below cover 97.5% of the equity holdings for ECashBuilder.

BlackRock

Aquila Connect US Equity Fund S2 Acc

- **607 meetings in total**
- **7,399 individual resolutions**
 - 99% of the resolutions were voted on, from which 95% voted with management, 4% against management and 0% abstained
 - In 30% of meetings voted on at least one vote was against management
 - 0% of resolutions, the vote was contrary to the recommendation of BlackRock's proxy adviser ISS

Aquila Connect UK Equity Fund S2 Acc

- **793 meetings in total**
- **10,815 individual resolutions**
 - 100% of the resolutions were voted on, from which 94% voted with management, 5.7% against management and 0.3% abstained
 - In 25% of meetings voted on at least one vote was against management
 - 0% of resolutions, the vote was contrary to the recommendation of BlackRock's proxy adviser ISS

Threadneedle Asset Management

Threadneedle Asia

- **80 meetings in total**
- **603 individual resolutions**
 - 100% of the resolutions were voted on, from which 82% voted with management, 16% against management and 2% abstained
 - In 66% of meetings voted on at least one vote was against management

Threadneedle European

- **71 meetings in total**
- **1149 individual resolutions**
 - 100% of the resolutions were voted on, from which 93% voted with management, 5% against management and 2% abstained
 - In 42% of meetings voted on at least one vote was against management

Threadneedle Japan

- **39 meetings in total**
- **447 individual resolutions**
 - 100% of the resolutions were voted on, from which 88% voted with management, 7% against management and 5% abstained
 - In 67% of meetings voted on at least one vote was against management

Significant votes

Commentary on the most significant votes over the period, from the Scheme's fund managers who hold listed equities are set out below.

Company name	Nihon M&A Center Inc.
Date of vote	2021-06-24
Summary of the resolution	Elect Director Miyake, Suguru
How you voted	Abstain
Rationale for the voting decision	Independence concerns
Outcome of the vote	Vote against management

Company name	Exxon Mobil Corporation
Date of vote	2021-05-26
Summary of the resolution	Reduce Ownership Threshold for Shareholders to Call Special Meeting
How you voted	Against
Rationale for the voting decision	We do not believe the proposed threshold to call special meetings is sufficient to avoid waste of corporate resources.
Outcome of the vote	Vote Bulletin

Company name	Berkshire Hathaway Inc.
Date of vote	2021-05-01
Summary of the resolution	Report on Climate-Related Risks and Opportunities
How you voted	For
Rationale for the voting decision	The company does not meet our expectations for disclosing a plan for how their business model will be compatible with a low-carbon economy. The company does not meet our expectations for disclosure of natural capital policies and/or risk
Outcome of the vote	Vote Bulletin

Company name	TransDigm Group Incorporated
Date of vote	2021-03-18
Summary of the resolution	Elect Director W. Nicholas Howley

How you voted	Abstain
Rationale for the voting decision	Vote against director for insufficient disclosure of material ESG risk. Vote against director for insufficient progress with respect to climate-related reporting.
Outcome of the vote	Vote Bulletin

Company name	BP Plc
Date of vote	2021-05-12
Summary of the resolution	Approve Shareholder Resolution on Climate Change Targets
How you voted	For
Rationale for the voting decision	We recognize the company's efforts to date but believe that supporting the proposal may accelerate the company's progress on climate risk management and/or oversight.
Outcome of the vote	Vote Bulletin