De La Rue Pension Scheme

Annual Report & Financial Statements

5 April 2021

Scheme Registration number 10226686

Contents

Section 1 – Trustee and its Advisers

The Trustee

The Trustee of the De La Rue Pension Scheme is De La Rue Pension Trustee Limited. The Trustee Directors of the De La Rue Pension Trustee Limited are set out below:

Company appointed Directors
N McGregor
PAN Trustees UK LLP (independent chair)
(represented by M Roberts)
20-20 Trustee Services Limited (appointed 13 January 2021)
(represented by J Yates)
Ross Trustee Services Limited (appointed (15 February 2021)
(represented by G Mckenzie)
K Stirzaker (resigned 15 June 2020)
K Ryan (appointed 10 December 2020)

Member nominated Directors
P Outridge
K Brown
M Salmon

Advisers

The advisers to the Trustee is set out below:

Scheme Actuary	Laura McLaren, FIA Hymans Robertson LLP
Scheme Administrator	Hymans Robertson LLP
Independent Auditors	PricewaterhouseCoopers LLP
AVC Providers	Phoenix Life BlackRock Advisors (UK) Limited Dunfermline Building Society Aviva Plc The Prudential Assurance Company Limited Utmost Life and Pensions Limited
Investment Managers	**Defined Benefit Section** Alcentra Limited (“Alcentra”) Baillie Gifford Life Limited (“Baillie Gifford”) Insight Investment Management (Global) Limited (“Insight”) Legal & General Assurance (Pensions Management) Limited (“LGIM”) Partners Group (“Partners”) **Defined Contribution Section** Aviva Plc (“Aviva”) BlackRock Advisors (UK) Limited (“BlackRock”)

Advisers (continued)

Investment Consultant	Hymans Robertson LLP
Secretary to the Trustee	R Lacey Group Pensions Manager - De La Rue plc
Legal Adviser	Hogan Lovells International LLB (to April 2020) Pinsent Masons LLP (from April 2020 to October 2020) CMS (from October 2020)
Custodian	**Defined Benefit Section** Bank of New York Mellon HSBC Bank Plc Scottish Equitable Plc RBC Investor Services Bank S. A State Street Custodial Services (Ireland) Limited Bank of New York Mellon SA/NV, Luxembourg
Banker	Barclays Bank plc
Life Assurer	Canada Life
Covenant Adviser	Lincoln Pensions Limited
Sponsoring Employer	De La Rue plc De La Rue House Jays Close Basingstoke RG22 4BS
Participating Employers	De La Rue International Limited De La Rue Holdings Limited
Contact Address	De La Rue Pension Scheme Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB Email: delaruepension@hymans.co.uk

Section 2 – Trustee's Report

The Trustee of the De La Rue Pension Scheme (the "Scheme") is pleased to present its Annual Report together with the audited financial statements and actuarial certificate of the Scheme for the year ended 5 April 2021. The purpose of the report is to describe how the Scheme and its investments have been managed during the year.

Management of the Scheme

Legal Status

The Scheme was established by a Trust Deed dated 3 March 1997.

The Scheme is a hybrid scheme incorporating two sections:

- a defined benefit section which provides benefits based on a member's salary and length of service; and
- a defined contribution section which provides benefits based on a member's accumulated fund.

Members of both sections are able to make Additional Voluntary Contributions ("AVCs") to secure additional benefits.

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

Members of the defined benefit section were contracted-out of the State Second Pension (S2P) under a certificate issued by the HM Revenue & Customs National Insurance Contributions Office.

All sections of the Scheme closed to future accrual on 31 March 2013 with the exception of the Classic section which closed to future accrual on 29 March 2020.

Trustee

The Trustee has delegated the day to day management and operation of the Scheme's affairs to professional organisations as set out on pages 1 and 2. The Trustee has written agreements in place with each of them.

De La Rue plc is responsible for the appointment and removal of the Trustee and Trustee Directors, except for the member nominated Trustee Directors who can only be removed with the consent of the full Trustee body, or if they cease to be eligible for the role. A Trustee Director may retire from office at any time.

There are eight Trustee Directors of whom five are appointed by De La Rue plc. Under the arrangements adopted by the Trustee in 2017, the Member-nominated Trustee Directors must be in receipt of a pension from the De La Rue Pension Scheme or be an active member of the De La Rue Defined Contribution Pension Plan and must be nominated by members of either status. Selection is made by a panel of three serving directors, one of whom will be the independent Chairman.

The Trustee met informally across the year to discuss and finalise the actuarial valuation, formal Trustee meetings were held four times during the year (2020: four).

Trustee's Report (continued)

Financial Development of the Scheme

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

The fund account shows that the net assets of the Scheme increased from £1,064,319,000 at 5 April 2020 to £1,067,488,000 at 5 April 2021. The increase in net assets is accounted for by:

	DBS* 2021 £000	DCS** 2021 £000	Total 2021 £000	DBS* 2020 £000	DCS** 2020 £000	Total 2020 £000
Member related income	16,350	-	16,350	23,012	1	23,013
Member related payments	(56,670)	(101)	(56,771)	(51,327)	(574)	(51,901)
Net withdrawals from dealings with members	**(40,320)**	**(101)**	**(40,421)**	**(28,315)**	**(573)**	**(28,888)**
Net returns on investments	40,067	3,523	43,590	81,663	(1,968)	79,695
Net increase/(decrease) in fund	**(253)**	**3,422**	**3,169**	**53,348**	**(2,541)**	**50,807**
Transfer between sections	1,247	(1,247)	-	333	(333)	-
Net assets at start of year	1,050,331	13,988	1,064,319	996,650	16,862	1,013,512
Net assets at end of year	**1,051,325**	**16,163**	**1,067,488**	**1,050,331**	**13,988**	**1,064,319**

*Defined Benefit Section **Defined Contribution Section

Pension Increases

Guaranteed Minimum Pensions (GMPs) in payment which accrued after 5 April 1988 were increased by 0.5% at April 2021 (1.7% at April 2020) in line with legislative requirements. Pensions in payment (in excess of the GMPs in payment) were increased with reference to inflation and the Rules of the Scheme. Increases awarded at April 2021 were between 0.5% and 5% (1.7% and 5% at April 2020) depending on the category of membership. The average increases was 2.5% (2.5% at April 2020). Pensions in respect of former Bank of England members are increased each 1 July; the increase made in July 2020 was 1% (3% at July 2019). Deferred pensions were increased in line with statutory requirements and the Rules of the Scheme.

None of the above increases were discretionary.

Trustee's Report (continued)

COVID-19

In early 2020, a new coronavirus, COVID-19, impacted a significant number of countries globally. COVID-19 has caused disruption to economic activity which has been reflected in recent fluctuations in global stock markets and, in turn, in the valuation of scheme assets. The Trustee has designed and implemented the Scheme's investment strategy taking a long term view and have built in resilience to withstand short term fluctuations.

During the current crisis, the Trustees are in regular contact with each other and with the Sponsoring Employer to ensure that the Scheme's finances and management of the Scheme are reviewed on a regular basis.

The Scheme Administrators have a robust Business Continuity Plan in place, including a pandemic plan which has been reviewed specifically in relation to the Covid-19 situation. Hymans Robertson continue to administer the Scheme as usual and are making it a priority to process payments, set up forthcoming retirements and respond to member enquiries.

Transfers

The Trustee does not currently permit the transfer of the value of benefits arising from membership of previous pension plans into the Scheme. Members who have left service can normally transfer the value of their benefits under the Scheme to another scheme which they join, or to an insurance contract or personal pension.

Defined Benefit Section:

The Trustee is responsible for setting the economic, financial and demographic assumptions to be used in calculating transfer values, having taken the advice of the Actuary. The basis used for transfer value calculations does not include discretionary benefits.

Defined Contribution Section:

Transfer values are paid equal to the market value of the member's investments at the date of transfer. No discretionary payments have been made during the year.

Trustee's Report (continued)

Report on Actuarial Liabilities

Actuarial Valuation

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Sponsoring Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2019. This showed that on that date:

The value of the Technical Provisions was: £1,186 million

The value of the assets was: £1,043 million

The method and significant actuarial assumptions used to determine the technical provisions can be found below (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles dated June 2020).

The 5 April 2021 formal valuation was brought forward to 31 December 2019 in order to accommodate the Company's request for certainty of contributions with the intention of supporting a successful business restructuring and equity raise. The 31 March 2018 and the 31 December 2019 valuation documentation was agreed and finalised on 5 June 2020 with the latter immediately superseding the 2018 valuation. The Pensions Regulator was involved throughout the negotiation process between the Company and Trustee.

Method

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

Significant Actuarial Assumptions

Discount rate before and after retirement	Dependent on term and assumed to be 0.9% p.a. above the yield on fixed interest government bond curve until 31/3/2028 and 0.25% above the yield on fixed interest government bond curve thereafter
Price inflation (RPI)	Market implied inflation gilt yield curve.
Price inflation (CPI)	Market implied inflation gilt yield curve less an adjustment of 0.65% p.a.
Pension increases	Assumed to be in line with price inflation adjusted to take account of any maximum or minimum increase that may apply. Our LPI curves are derived from an option pricing model fitted to LPI swap prices.

Trustee's Report (continued)

Significant Actuarial Assumptions (continued)

Expenses	Scheme expenses will be allowed for on an ongoing basis.
Mortality - base tables	Member specific longevity Club VITA tables.
Mortality - Future longevity improvements	CMI 2019 model (calibrated to VITA tables) with a smoothing parameter of Sk = 7.0, an initial adjustment parameter of A = 0.3 for both males and females and a long-term rate of improvement of 1.5% p.a. which tapers to 0% p.a. over ages 85 to 110.

Deficit contributions

Following the 31 December 2019 formal valuation, the Trustee and the Company agreed a new Schedule of Contributions which was signed on 5 June 2020. Deficit contributions of £15m (2020: £21.3m) were received during the year.

Under the revised schedule, the Company is required to pay future annual deficit contributions as follows

By 31 March 2022 £15.0m
By 31 March 2023 £15.0m
By 31 March 2024 £24.5m
By 31 March 2025 £24.5m
By 31 March 2026 £24.5m
By 31 March 2027 £24.5m
By 31 March 2028 £24.5m
By 31 March 2029 £24.5m

Following the conclusion of the 31 December 2019 formal valuation of the Classic Section, the Trustee and the Company agreed a new Schedule of Contributions which was signed on 12 April 2021. During the year recovery plan contributions of £34,507 (2020 : £nil) were received.

Under the revised schedule, the Company is required to pay future annual deficit contributions in respect of the Classic Section as follows:

By 12 May 2022: £34,508
By 12 May 2023: £34,507

Employers other Contributions

Monthly contributions of £133,333 for the months of May and June, and £104,167 for the remaining ten months were paid to provide for the administrative expenses including Pension Protection Levy which are included in other contributions. The Sponsoring Employer will also reimburse the Trustee for the Pension Protection Fund scheme-based and risk-based levy for levy years up until financial year 2028/2029.

Trustee's Report (continued)

Scheme Membership

The reconciliation of the Scheme membership during the year ended 5 April 2021 is shown below:

Pensioner Members (including spouses and dependants)	DBS*	DCS**	Total
As at 6 April 2020	**4,117**	**-**	**4,117**
Adjustments	(2)	-	(2)
Retirements	121	-	121
Deaths	(172)	-	(172)
Child pensions ceased	-	-	-
Trivial commutations	-	-	-
New spouses and dependants	49	-	49
Pensioner Members as at 5 April 2021	**4,113**	**-**	**4,113**

Included in the pensioners above are 688 (2020: 682) widows or dependants receiving pension following death of a member.

Deferred Pensioner Members	DBS*	DCS**	Total
As at 6 April 2020	**2,747**	**99**	**2,846**
Adjustments	(29)	22	(7)
Trivial commutations	(9)	-	(9)
Deaths	(6)	-	(6)
Other Leavers	-	-	-
Retirements	(121)	-	(121)
Transfers out	(43)	-	(43)
Deferred Pensioner Members as at 5 April 2021	**2,539**	**121**	**2,660**

Summary	DBS*	DCS**	Total
As at 6 April 2020	**6,864**	**99**	**6,963**
Net movements (detailed above)	(212)	22	(190)
Members as at 5 April 2021	**6,652**	**121**	**6,773**

*Defined Benefit Scheme **Defined Contribution Scheme

Contained in the above membership stats are 271 (2020: 280) DBS deferred members who also have defined contribution pots.

Trustee's Report (continued)

Investments

This report has been prepared using data sourced from Hymans Robertson, the investment managers and other external sources. The current investment managers are shown on page 1.

General

The Scheme's investment strategy is agreed by the Trustee Directors after taking appropriate advice. The strategic management of the assets is fundamentally the responsibility of the Trustee and is driven by the investment objectives. The remaining elements of policy are part of the day-to-day management of the assets, which is delegated to the professional investment managers.

Over the year under review, the main assets of the Scheme's Defined Benefit Section were managed by Baillie Gifford & Company ("Baillie Gifford"), Insight Investment ("Insight"), Legal & General Investment Management ("LGIM"), Partners Group ("Partners"), and Alcentra Limited ("Alcentra").

LGIM manages the overseas and UK equity assets on behalf of the Scheme, on a passive basis. Within the Scheme's exposure to overseas assets, 66% is hedged back to Sterling (excluding the exposure to emerging markets). Currency hedging is achieved via investments in pooled currency hedged funds.

Baillie Gifford manages a diversified growth fund in which the Scheme invests. The fund covers a range of asset classes and investment strategies to generate returns, including equities, bonds, property, cash, and total return strategies. The objective of the portfolio is to outperform a cash benchmark by 3.5% p.a. (net of fees) over a five-year rolling period. This fund is held to achieve diversification of the Scheme's growth assets.

Insight was appointed in 2006 to manage an active bond portfolio. At the moment, Insight's portfolio is formed of four sub-portfolios: "Buy and Maintain", "LDI" (Liability Driven Investment), "Cash Plus" and "Secured Finance".

The "Buy and Maintain" portfolio is made up of carefully selected corporate bonds which are expected to be held to maturity for their additional return over Government bonds.

The LDI mandate is principally aimed at reducing the Scheme's exposure to adverse movements in yields and inflation. A review of the LDI sub-portfolio was conducted in 2019 and the Trustee decided to proceed with a transition from pooled to a segregated mandate. The implementation of the new segregated LDI mandate was completed in Q4 2020. This transition from a pooled to a segregated LDI mandate explains the fall in value of the Scheme's 'pooled investment vehicles' between the prior period and the year ended 5 April 2021. The LDI mandate, valued at £269 million on 5 April 2021, has been reflected in the financial statements using the value of all its underlying holdings including bonds, derivatives and repurchase agreements. Further, the value of the bonds holding includes those bonds that have been lent as part of repurchase agreements. This was not a part of the Scheme's investment strategy at the prior period and explains the significant increase in value over the year ended 5 April 2021.

The Cash Plus sub-portfolio currently holds the Liquidity Plus Fund, which is a cash fund, and the Liquid ABS Fund and Global ABS Fund.

Insight Liquidity Plus Fund aims to provide stability of capital and income to investors, by investing primarily in short-term fixed income and variable rate securities. The fund benchmark is 3-month LIBID.

The Liquid and Global ABS funds seek to generate return for investors mainly through a portfolio of high quality (investment grade) Asset Backed Securities ("ABS") and corporate floating notes (FRNs) and are benchmarked against 1-month SONIA.

Trustee's Report (continued)

General (continued)

The Cash Plus sub-portfolio is the collateral/liquidity waterfall for the Scheme, meaning that if the Scheme requires additional liquidity (over and above the income generated by the current assets) to meet benefit payments or for collateral purposes, it can be accessed in the following manner:

- First from the most liquid (cash) funds - the Liquidity Plus, which holds enough capital to meet any recapitalisation event of the LDI portfolio and at least 12 months of Scheme benefit payments.
- Additional cash, if required, can be raised via the sale of the next most liquid holdings – Liquid ABS and Global ABS respectively.

The Secured Finance sub-portfolio was created in December 2019 and comprises of the Secured Finance Direct Lending Fund 3. This fund seeks to produce an annual interest-rate-based return, primarily through investment in a diversified portfolio of secured finance asset classes and instruments comprising loans and debt securities. Such secured finance asset classes may include commercial real estate finance, residential real estate finance, and other forms of asset-backed lending, e.g. debt backed by asset pools such as auto loans, credit card loans, leases, residential and commercial mortgage loans. The Fund may also have exposure to mid-market corporates, small and medium-sized enterprise financing, supply-chain and trade finance and trade receivables, and non-performing loan financing. The Fund's focus is on both liquid and illiquid strategies. The objective of the fund is to outperform a cash benchmark by 3-5% p.a. over rolling three-year period (net of fees).

Partners Group was appointed in 2016 to manage a multi-asset credit mandate ("MAC III"). An additional allocation to another multi-asset credit fund ("MAC V") was agreed on in July 2020 in order to maintain exposure to the asset class as the MAC III fund is gradually returning the invested capital. As at 5 April 2021 the Scheme has contributed c100% of the total commitment of £50m, to MAC V. The MAC III fund is currently in the distribution phase, meaning that the investments are being realised and the fund is returning the capital and paying interest to the Scheme. The MAC V fund is in its investment phase, meaning that it is currently making private debt investments. These funds seek to create a diversified portfolio of mainly senior private loans and public high-yield bonds, in the primary markets as well as the secondary loan market. Investments are diversified across asset classes, instruments, sectors and geographies. The objective of the Partners funds is to outperform cash by 4% - 6% p.a. (net of fees). These funds were introduced to reduce the level of risk within the Scheme's assets and to provide income.

Alcentra was appointed in 2018 to manage a multi-asset credit fund. The Alcentra mandate invests mainly in leveraged loans and high-yield bonds in the US and European markets, in addition to structured credit and special situations investments. The fund aims to deliver attractive risk-adjusted returns, and its objective is to outperform cash by 4.5% p.a. This allocation is positioned to provide more regular income to manage the Scheme's negative cash flow.

Over the year under review, members of the Scheme's Defined Contribution section continued to be offered a range of passive investment options, which were managed by Aviva and BlackRock. Additional Voluntary Contribution ("AVC") assets were held in funds/deposit accounts managed by Prudential, Phoenix Life (formally London Life), Utmost Life and Pensions, and Dunfermline.

Trustee's Report (continued)

Investment Strategy

The Trustee currently sets the Scheme's investment strategy, taking into consideration the strength of the Employer covenant and the professional advice provided by Hymans Robertson LLP, to achieve the following objectives (listed in order of priority):

- Ensure that there are sufficient assets available to pay members' benefits as they fall due;
- Achieve full funding on a low-risk basis over the longer period;
- Minimise investment risk (defined as funding level volatility) commensurate with the funding aims.

To achieve these objectives, it is necessary to take investment risk. The key principles which have been agreed and which guide the level and type of risk taken are:

- Risk should only be taken where commensurate reward is expected;
- Risk should only be taken where the expected reward is required to give a reasonable chance of meeting the Scheme's objectives; and
- Risk should be diversified so that the Scheme is not overly exposed to any one risk or source of return (whether an asset class or manager).

Based on the objectives set out above, these broad principles are, in consultation with the Scheme sponsor, translated into an investment strategy which aims to achieve the Scheme's funding objectives. In doing so, the Trustee considers a reasonable balance between having as high a chance as possible of achieving the target while minimising the level of investment risk which needs to be taken.

Current Defined Benefit (DB) investment strategy

The current strategy is to hold:

- 15% in a diversified portfolio of return-seeking investments, comprising UK and overseas equities, a diversified growth fund, and other financial instruments including derivatives and cash;
- 60% in a diversified portfolio of income-generating investments, comprising mainly investment grade and sub-investment grade corporate bonds and debt instruments; and
- 25% in investments that move broadly in line with the Scheme's long-term liabilities. This is referred to as Liability-Driven Investment (LDI) and comprises UK government bonds, gilt repurchase arrangements, and swaps. These holdings hedge approximately 84% of the impact of interest rate and 80% of the impact of inflation movements on the long-term liabilities.

Trustee's Report (continued)

Investment Strategy (continued)

The allocation of the Scheme's investments held under the Defined Benefit section to 5 April 2021 is shown in the table below:

	Total £'000	Actual %	Target %
LGIM Global Equities	103,231	9.9	8.0
LGIM UK Equities	23,338	2.2	2.0
Baillie Gifford Diversified Growth	55,380	5.3	5.0
Total Growth	**181,949**	**17.4**	**15.0**
Insight Buy and Maintain	124,714	12.0	20.0
Insight LDI	200,126	19.2	25.0
Insight Liquidity Plus Fund*	170,156	16.3	5.0
Insight Secured Finance Lending	139,556	13.4	12.5
Insight Liquid/Global ABS	101,438	9.7	7.5
Partners Group Multi-Asset Credit	76,389	7.3	10.0
Alcentra Global Multi-Asset Credit	49,073	4.7	5.0
Total Non-growth	**861,452**	**82.6**	**85.0**
Total	**1,043,401**	**100.0****	**100.0**

*The Liquidity Fund includes the cash only component of the Insight LDI portfolio.

** Might not sum to total due to rounding

The fund managers provide investment performance reports on a quarterly basis, and therefore the 1, 3 and 5-year performance to 31 March 2021 is used as the most recent to 5 April 2021. As of 31 March 2021, the Scheme was overweight to growth assets relative to target, and underweight therefore in matching assets.. As the implementation of the agreed investment strategy continues, additional changes to target asset allocation may be made during the 2021/2022 Scheme year.

The Trustee also monitors the Scheme's investments versus liabilities at regular funding updates and valuations.

Over the year to 5 April 2021, the Scheme's investments increased by c£6.4m (from £1,037.0m at 5 April 2020 to £1,043.4m at 5 April 2021). The Scheme's investments returned 0.9% over the year, outperforming the aggregate Scheme benchmark by 2.8%.

Trustee's Report (continued)

Investment Strategy (continued)

LGIM manages approximately 10% of the Scheme's investments under a passive global and UK equity mandates. Over the year, the LGIM mandates performed broadly in line with benchmark as expected of passive management.

The Diversified Growth Fund managed by Baillie Gifford outperformed it's target over the year to March 2021. The Fund returned 17.6% over the year, 13.4% ahead of its UK Base Rate +3.5% p.a. target. Since inception in June 2012 the fund has outperformed its target (by 0.4% p.a.).

The Insight LDI and Buy and Maintain sub-portfolios delivered positive returns of 19.0% p.a. and 5.9% p.a. respectively since inception. The purpose of the LDI sub-portfolio is to provide protection against adverse movements in the Scheme's liabilities, as opposed to increasing the Scheme's returns. Therefore, in periods when interest rates are falling and liabilities thus increasing, the LDI portfolio would be expected to produce a positive return. On the other hand, if yields rise the LDI portfolio would be expected to generate a negative return.

The Alcentra mandate delivered 26.1% over one year to 31 March 2021, outperforming its cash +4.5% p.a. by 20.5%. The fund also delivered positive absolute returns since inception in November 2018 (4.0% p.a.), underperformed its benchmark by 1.0%.

The performance tables ensuing show the net performance of the managers and the Scheme over the one-year and three-year periods to 31 March 2021 in absolute and relative terms. The effects of an overweight position to LDI through the year has been stripped out to make comparison more meaningful.

Due to the nature of multi-asset credit as an asset class, and this fund in particular, it is not appropriate to assign to Partners Group a short-term performance figure. Partners has been excluded, therefore, to preclude undue volatility from the presentation of Scheme returns.

Trustee's Report (continued)

Investment Strategy (continued)

Current Defined Contribution (DC) and Additional Voluntary Contributions (AVCs) investment strategy

- The Scheme's Defined Contribution assets are invested in funds offered through Aegon's investment platform. The funds are passively managed by BlackRock. Members are required to make an explicit choice on which fund to invest in, as there is no default or auto-enrolment option.
- A small number of members have AVC investments through Aegon's platform and in legacy arrangements with Aviva, Prudential, Phoenix and Utmost. These invest in a range of 'With Profit' and unit-linked funds.

The allocation of the Scheme's investments held under the Defined Contribution section to 5 April 2021 (excluding AVCs) is shown in the table below:

	Total £'000	%
Aviva Group	602	3.9
Aegon BlackRock 60/40 Global Equity Fund	12,824	83.6
Aegon BlackRock Over 15-year Gilt Fund	1,415	9.2
Aegon BlackRock Cash Fund	513	3.3
Total	**15,354**	**100.0**

*Aquila life funds are valued as at 31 March 2021

Statement of Investment Principles

The Trustee Directors have produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The SIP can be found online at db-scheme-statement-of-investment-principles-august-2020-final.pdf (delaruepensions.co.uk). The SIP gives details of the Trustee's investment objectives, while an accompanying Investment Policy Implementation Document ("IPID") which is available on request provides details of the underlying benchmarks used to measure the performance of the investment managers.

From 2021 the Trustee is required to prepare an Implementation Statement which details how the investment principles detailed in the SIP have been followed over the year. The Scheme's first Implementation Statement is appended to this document and forms part of the Trustee's report.

The priority for the Trustee Directors when considering the investment policy is to ensure that the promises made about members' pensions may be fulfilled. With this aim, investments have been spread across a range of assets, both by type of investment (equities and bonds) and geographically. Spreading the investments in this way reduces the risk of a sharp fall in one market having a substantial impact on the whole Scheme.

Trustee's Report (continued)

Review of Defined Benefit Section Investment Performance

The performance of the Scheme's investments to 31 March 2021 is shown in the next table.

The fund managers provide investment performance reports on a quarterly basis, and therefore the 1, 3 and 5-year performance to 31 March 2021 is used as the most recent to 5 April 2021.

Performance over 12 months to 31 March 2021

Manager	Date Appointed	Performance (% p.a.)	Benchmark (% p.a.)	Relative (% p.a.)
Legal & General – Global Equities	17/06/2009	44.4	44.6	(0.1)
Legal & General – UK Equities	22/07/2014	26.8	26.7	0.1
Insight – Secured Finance	09/12/2019	11.0	3.5	7.3
Baillie Gifford – Diversified Growth	26/06/2012	17.6	3.6	13.4
Insight – Buy and Maintain	03/12/2013	9.4	9.4	0.0
Insight – Liquid ABS	24/07/2019	3.2	0.5	2.7
Insight – Global ABS	24/12/2019	8.2	2.1	6.0
Insight – LDI[2]	04/11/2013	(21.6)	(21.6)	0.0
Insight – Liquidity Plus	25/07/2019	1.1	0.1	1.0
Partners Group Multi-Asset Credit 2016 (III)[1]	19/10/2016	4.4	N/A	N/A
Partners Group Multi-Asset Credit 2019 (V)[1]	13/08/2019	6.1	N/A	N/A
Alcentra Global Multi-Asset Credit	01/11/2018	26.1	4.7	20.5
Total		**0.9**	**(1.9)**	**2.9**

Source: Hymans Robertson; Investment Managers. All manager performance figures are net of fees.

[1] Is an IRR for the year, which is not taken into account when calculating the total Scheme performance. The fund does not have a formal performance benchmark.

[2] Includes the performance of Insight Liquidity Fund (cash element of the LDI)

Trustee's Report (continued)

Performance over 3 Years to 31 March 2021

Manager	Date Appointed	Performance (% p.a.)	Benchmark (% p.a.)	Relative (% p.a.)
Legal & General – Global Equities	17/06/2009	12.4	12.5	(0.1)
Legal & General – UK Equities	22/07/2014	3.2	3.2	0.0
Baillie Gifford – Diversified Growth	26/06/2012	2.4	4.1	(1.6)
Insight – Secured Finance[1]	09/12/2019	-	-	-
Insight – Buy and Maintain	03/12/2013	4.4	4.4	0.0
Insight – Liquid ABS[1]	24/07/2019	-	-	-
Insight – Global ABS[1]	24/12/2019	-	-	-
Insight – LDI[2]	04/11/2013	(0.3)	(0.3)	0.0
Insight – Liquidity Plus[1]	25/07/2019	-	-	-
Partners Group Multi-Asset Credit 2016 (III)[3]	19/10/2016	4.5	N/A	N/A
Partners Group Multi-Asset Credit 2019 (V)[3]	13/08/2019	6.0	N/A	N/A
Alcentra Global Multi-Asset Credit[1]	01/11/2018	-	-	-
Total		**3.3**	**3.1**	**0.2**

Source: Hymans Robertson; Investment Managers. All manager performance figures are net of fees.

[1] Inception of the fund is less than 3 years ago; therefore performance over 3 years is not available.

[2] Includes the performance of Insight Liquidity Fund (cash element of the LDI).

[3]Is a since inception IRR. which was not taken into account when calculating the total Scheme performance. The fund does not have a formal performance benchmark.

Review of Defined Contribution Section Investment Performance

The performance of the Scheme's investments to 31 March 2021 is shown in the table below.

The fund manager provides investment performance reports on a quarterly basis, and therefore the 1, 3 and 5 year performance to 31 March 2021 is used as the most recent data to 05 April 2021.

Trustee's Report (continued)

Performance over 12 months to 31 March 2021

	Performance (% p.a.)	Benchmark (% p.a.)	Relative (% p.a.)
Aegon BlackRock 60/40 Global Equity Fund	31.5	31.4	0.0
Aegon BlackRock Over 15-year Gilt Fund	(10.6)	(10.4)	(0.3)
Aegon BlackRock Cash Fund	0.0	(0.1)	0.1

Source: Aegon.

Performance over 3 years to 31 March 2021

	Performance (% p.a.)	Benchmark (% p.a.)	Relative (% p.a.)
Aegon BlackRock 60/40 Global Equity Fund	6.3	6.5	(0.3)
Aegon BlackRock Over 15-year Gilt Fund	3.6	3.3	0.2
Aegon BlackRock Cash Fund	0.5	0.3	0.1

Source: Aegon.

Social, Environmental and Ethical Considerations

The Trustee believes that good stewardship, environmental, social and corporate governance ("ESG") issues may have an impact on investment returns.

The Trustee has given their investment managers full discretion when evaluating ESG issues and in exercising rights (such as voting rights) attached to the Scheme's investments.

The Scheme's voting policy is exercised by its investment managers in accordance with their own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Investment managers are expected to report on their adherence to these Codes from time to time.

The Trustee reviewed the Scheme's managers' Responsible Investment policies during the year and commenced to keep a quarterly checklist of adherence from Q1 2021.

Exercise of Voting Rights

The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. Accordingly, the managers have produced written guidelines of their process and practice in this regard. The managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary meetings of companies.

Trustee's Report (continued)

Custodial Arrangements

Bank of New York Mellon is the Scheme's appointed custodian for the segregated assets managed by Insight. Bank of New York Europe is responsible for the safe-keeping of share certificates and other documents relating to the ownership of listed investments. Investments requiring registration are registered as held by their nominee company, in line with common practice for pension scheme investments.

State Street Custodial Services (Ireland) Limited is the custodian for assets held in Insight Secured Finance Fund.

Assets managed by LGIM are held in the form of units in policies of insurance. The custodian for the UK and overseas equities is HSBC Bank Plc.

Assets managed by Baillie Gifford are held in the form of units in policies of insurance. The underlying assets are held with Bank of New York Mellon.

Assets managed by Aegon are held in the form of units in policies of insurance, in the name of Scottish Equitable Plc. in a non-custodial arrangement. The fund accountant is CITI.

Assets managed by Partners Group are held in the form of a public limited liability company. The custodian of the underlying assets is RBC Investor Services Bank S.A.

Assets managed by Alcentra are held in the form of a public limited liability company. The custodian of the underlying assets is The Bank of New York Mellon SA/NV, Luxembourg branch.

The Trustee is responsible for ensuring the Scheme's assets continue to be securely held. The Scheme's auditor is authorised to make whatever investigations it deems necessary as part of the annual audit procedure.

Investment Management Monitoring

The Trustee's policy in relation to its investment managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustee is to select investment managers that meet the primary objectives of the Trustee. As part of the selection process and the ongoing review of the investment managers, the Trustee considers how well each investment manager meets the Trustee's policies and provides value for money over a suitable timeframe.

How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustee's policies

The Trustee has delegated the day to day management of the majority of the Scheme's assets to the investment managers. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term

The Trustee, in conjunction with its Investment Consultant, appoints its investment managers and chooses the specific pooled fund to use in order to meet specific Scheme policies. The Trustee expects that the investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

Trustee's Report (continued)

Investment Management Monitoring (Continued)

How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustees' investment policies

The Trustee expects its investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out its appointment documentation. The Trustee reviews the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

If the Trustee determines that the investment manager is no longer managing the assets in line with the Trustee policies it will make its concerns known to the investment manager and may ultimately disinvest.

The Trustee pays its investment managers a management fee which is a fixed percentage of assets under management. Some investment managers also receive a performance incentive fee.

Prior to agreeing a fee structure, the Trustee, in conjunction with its Investment Consultant, considers the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

How the Trustee monitors portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee, in conjunction with its Investment Consultant, has processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustee receives a report which includes the turnover costs incurred by the investment managers used by the Scheme.

The Trustee expects turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustee does not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee believes that the investment managers should follow its stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

The duration of arrangements with investment managers

The Trustee does not in general enter into fixed long-term agreements with its investment managers and instead retains the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustee's policies. However, the Trustee expects its manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective

Additional Assets

Additional Voluntary Contribution ("AVC") assets were held in funds / deposit accounts managed by Aviva, Prudential, Phoenix Life, Utmost, and Dunfermline.

Employer Related Investments

There were no Employer related investments during the year (2020: £nil).

Trustee's Report (continued)

Guaranteed minimum pensions ("GMP")

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. Subsequently, on 20 November 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. The issues determined by the judgements arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issues will have an impact on the Scheme and will be considering them at a future meeting and decisions will be made as to the next steps.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation, provide interest on the backdated amounts and revisit individual transfer payments made since 17 May 1990, to check if any additional value is due as a result of GMP equalisation - the Trustee is currently working through a GMP rectification exercise and implementing GMP equalisation for the purposes of future transfer value quotations. It is expected these amounts will not be material to the Scheme's Financial Statements. However, at this stage the Trustee and Company have not agreed the equalisation methodology to be used and therefore the Trustee is not in a position to obtain a reliable estimate of the backdated benefits and related interest or additional transfer values. Therefore, the cost of backdating pension benefits and related interest and additional transfer values have not been recognised in these Financial Statements. They will be recognised once the Trustee is able to reach a reliable estimate.

Statement of Trustee's Responsibilities

Trustee's responsibilities in respect of the financial statements

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

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

The Trustee also has a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee's responsibilities in respect of contributions

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

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

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Further Information

Internal Dispute Resolution (IDR) Procedures

It is a requirement of the Pensions Act 1995 that the Trustees of all occupational pension schemes must have Internal Dispute Resolution (IDR) procedures in place for dealing with any disputes between the Trustees and the scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustees, details of which can be obtained by writing to the Secretary to the Trustee at the address on page 2 of this report.

The Money and Pensions Service and the Pensions Ombudsman

Members have the right to refer their complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the events(s) the member is complaining about happened – or, if later, within three years of when they first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:
10 South Colonnade
Canary Wharf
London, E14 4PU
Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

Members can also submit a complaint form online:
www.pensions-ombudsman.org.uk/our-service/make-a-complaint/

If members have any general requests for information or guidance concerning their pension arrangements contact:
Money Helper Service
120 Holborn
London, EC1N 2TD
Tel: 0800 011 3797
www.pensionsadvisoryservice.org.uk
www.pensions-ombudsman.org.uk

The Pension Protection Fund

The Pension Protection Fund was established to provide compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund is a statutory fund run by the Board of the Pension Protection Fund, a statutory corporation established under the provisions of the Pensions Act 2004. The Pension Protection Fund became operational on 6 April 2005.

Further Information (continued)

The Pensions Regulator

The Pensions Regulator (TPR) has the objectives of protecting the benefits of members, promoting good administration and reducing the risk of claims on the Pension Protection Fund. TPR has the power to investigate schemes, to take action to prevent wrongdoing in or maladministration of pension schemes and to act against employers failing to abide by their pension obligations. TPR may be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton, BN1 4DW
www.thepensionsregulator.gov.uk

Pension Tracing Service

The Pension Schemes Registry has been replaced with the Pension Tracing Service and is now provided by the Department for Work and Pensions. Responsibility for compiling and maintaining the register of occupational pension schemes has been passed to The Pensions Regulator.

Contact details for the services are as follows:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton, WV98 1LU
www.gov.uk/find-pension-contact-details

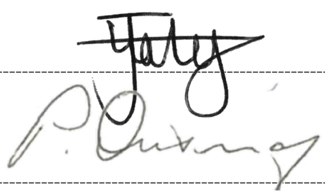
Scheme information

The Trust Deed and Rules, the Scheme details and a copy of the payment schedule and Statement of Investment Principles are available for inspection, free of charge, by contacting the Trustee at the address shown for general enquiries on page 2 of this report.

Any information relating to the members' own pension position, including estimates of transfer values, should also be requested from the Administrators of the Scheme, Hymans Robertson LLP, at the address detailed on page 2 of this report.

Approval of the Trustee's Report by the Trustee

Signed for and on behalf of the Trustee of the De La Rue Pension Scheme by:



.... Trustee Director

.... Trustee Director

29th September 2021 .... Date

Section 3 – Independent Auditors' Report to the Trustee of the De La Rue Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion, De La Rue Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 5 April 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the annual report & financial statements, which comprise: the statement of net assets available for benefits as at 5 April 2021; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Independent Auditors' Report to the Trustee of De La Rue Pension Scheme (continued)

Reporting on other information

The other information comprises all the information in the annual report & financial statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of trustee's responsibilities, the trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Independent Auditors' Report to the Trustee of De La Rue Pension Scheme (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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

- Testing of journals where we identified particular risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing estimates and judgements made in the preparation of the financial statements.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, contracts and agreements, and holding discussions with the trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
Date 29 September 2021

Section 4 – Financial Statements

Fund Account for year ended 5 April 2021

	Note	Defined Benefit Section £000	Defined Contribution Section £000	Total 2021 £000	*Total 2020 £000*
Contributions and other income					
Employer contributions	*5*	16,343	-	**16,343**	22,970
Other income	*7*	7	-	**7**	43
		16,350	-	**16,350**	23,013
Benefits paid or payable	*8*	(39,928)	(4)	**(39,932)**	(40,974)
Payments to and on account of leavers	*9*	(15,074)	(97)	**(15,171)**	(9,058)
Other payments	*10*	(22)	-	**(22)**	(20)
Administrative expenses	*11*	(1,646)	-	**(1,646)**	(1,849)
		(56,670)	(101)	**(56,771)**	(51,901)
Net withdrawals from dealings with members		**(40,320)**	**(101)**	**(40,421)**	**(28,888)**
Returns on Investment					
Investment income	*13*	60,442	-	**60,442**	57,901
Change in market value of investments	*15*	(19,121)	3,523	**(15,598)**	23,014
Investment management expenses	*14*	(1,254)	-	**(1,254)**	(1,220)
Net returns on investments		**40,067**	**3,523**	**43,590**	**79,695**
Net decrease/(increase) in the fund		**(253)**	**3,422**	**3,169**	**50,807**
Transfers between sections	*6*	1,247	(1,247)	**-**	**-**
Net assets of the Scheme at the start of the year		**1,050,331**	**13,988**	**1,064,319**	**1,013,512**
Net assets of the Scheme at the end of the year		**1,051,325**	**16,163**	**1,067,488**	**1,064,319**

The notes on pages 30 to 53 form part of these financial statements.

Statement of Net Assets (available for benefits) as at 5 April 2021

	Note	**Total 2021 £000**	*Total 2020 £000*
Defined Benefit Section			
Investment assets			
Bonds	*15*	**1,044,444**	113,719
Pooled investment vehicles	*15*	**653,366**	920,441
Derivatives	*15*	**83,434**	2,073
Cash	*15*	**803**	3,455
Amounts due on reverse repurchase agreements	*15*	**5,051**	-
Accrued investment income	*15*	**5,126**	2,316
Unsettled transactions	*15*	**66,691**	47
		1,858,915	1,042,051
Investment liabilities			
Derivatives	*15*	**(37,035)**	(5,051)
Amounts payable on repurchase agreements	*15*	**(778,479)**	-
		(815,514)	(5,051)
Total net investments		**1,043,401**	1,037,000
Current assets	*16*	**9,992**	14,939
Current liabilities	*17*	**(2,068)**	(1,608)
		1,051,325	1,050,331

Statement of Net Assets (available for benefits) as at 5 April 2021 (continued)

	Note	Total 2021 £000	Total 2020 £000
Defined Contribution Section			
Investment assets			
Pooled investment vehicles	15	**15,354**	12,947
Unsettled transactions		**23**	
AVC investments	15	**692**	751
Total net investments		**16,069**	13,698
Current assets	16	**94**	290
Current liabilities	17	**-**	-
		16,163	13,988
Total Net Assets of the Scheme at 5 April 2021		**1,067,488**	1,064,319

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 does take account of such obligations, is dealt with in the Report on Actuarial Liabilities for the Defined benefit section on page 6 and 7 of this report and should be read in conjunction therewith.

The notes on pages 30 to 53 form part of these financial statements.

These financial statements were approved by the Trustee of the De La Rue Pension Scheme, and signed for and on their behalf by:

Trustee Director

Trustee Director

29th September 2021

Date

Section 5 – Notes to the Financial Statements

Notes to the financial statements for the year ended 5 April 2021

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS 102) – The Financial Reporting Standard applicable in the United Kingdom 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 2018) ("the SORP")

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is: De La Rue Pension Scheme, Hymans Robertson LLP, 20 Waterloo Street, Glasgow, G2 6DB.

3 COMPARATIVE DISCLOSURES FOR THE FUND ACCOUNT AND STATEMENT OF NET ASSETS

	Note	Defined Benefit Section £000	Defined Contribution Section £000	Total 2020 £000
Contributions and other income				
Employer contributions	*5*	22,970	-	22,970
Other income	*7*	42	1	43
		23,012	1	23,013
Benefits paid or payable	*8*	(40,804)	(170)	(40,974)
Payments to and on account of leavers	*9*	(8,654)	(404)	(9,058)
Other payments	*10*	(20)	-	(20)
Administrative expenses	*11*	(1,849)	-	(1,849)
		(51,327)	(574)	(51,901)
Net withdrawals from dealings with members		**(28,315)**	**(573)**	**(28,888)**
Returns on Investment				
Investment income	*13*	57,901	-	57,901
Change in market value of investments		24,982	(1,968)	23,014
Investment management expenses	*14*	(1,220)	-	(1,220)
Net returns on investments		**81,663**	**(1,968)**	**79,695**
Net increase/(decrease) in the fund		**53,348**	**(2,541)**	**50,807**
Transfers between sections	*6*	333	(333)	**-**
Net assets of the Scheme at the start of the year		**996,650**	**16,862**	**1,013,512**
Net assets of the Scheme at the end of the year		**1,050,331**	**13,988**	**1,064,319**

Notes to the financial statements for the year ended 5 April 2021 (continued)

4 ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements, and have been applied consistently with prior year.

4.1 Accruals concept

The financial statements have been prepared on an accruals basis.

4.2 Contributions and benefits

Normal contributions from the Employer, are accounted for on an accruals basis as required in accordance with the Schedule of Contributions.

Employer deficit funding contributions are accounted for in accordance with the agreement under which they are being paid or if paid earlier, when received, with the agreement of the Employer and Trustee.

4.3 Benefits and payments to members

Benefits are accounted for on an accruals basis on the later of the date of retirement or the date the members signed the option form or the date of leaving the Scheme as appropriate.

Pensions in payment are accounted for in the year to which they relate.

4.4 Transfers to other schemes

Individual transfers to other schemes are accounted for when funds are received or paid, or where the Trustee has agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

4.5 Other expenses

Expenses and part of the costs of the Group Pensions Department are accounted for on an accruals basis. The balance of the Group Pensions Department costs are met by the Sponsoring Employer.

4.6 Investment income

Income from cash and short term deposits is dealt with in these financial statements on an accruals basis.

Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds. Other interest on cash and short-term deposits and income from other investments are accounted for on an accruals basis.

Pooled investment vehicles which are accumulation funds include their underlying income within the unit price which is reported within the change in market value of investments. Income from pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date declared.

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 during the year.

The Scheme pays to and receives interest from the Repurchase Agreements ("**Repos**") and Reverse Repurchase Agreements ("**Reverse Repos**") counterparties and this is accounted for on an accruals basis in line with the terms of the respective contracts

Notes to the financial statements for the year ended 5 April 2021 (continued)

4.7 Valuation of investments

Pooled investment vehicles are valued at the year end bid price or, if single priced, the closing single price provided by the investment manager.

Bonds are quoted “clean” (without accrued interest).

Accrued interest is accounted for within investment income receivable.

AVCs are included at the market value advised by the provider as at 5 April 2021 where available. If unavailable, the market value as advised by the provider at 5 April 2020, and adjusted for any cash movements during the year to 5 April 2021, is used.

Derivative contracts are included in the net asset statement at fair value. For Over The Counter (OTC) derivatives, where a market price is not readily available, the fair value is determined by the investment manager using generally accepted pricing models where inputs are based on market data at the year end.

Forward foreign exchange contracts are stated at fair value, which is determined as the gain or loss that would arise from closing out the contract at the reporting date. Changes in the fair value of the forward contracts are reported within change in market value in the Fund Account.

Repurchase agreements (where the Scheme has sold assets with the agreement to repurchase at a fixed date and price) are included at the fair value of the repurchase price (as a liability). The assets sold are reported in the appropriate asset class in the investments note at their fair value reflecting that the Scheme retains the risk and rewards of ownership of those assets.

Reverse repurchase agreements (where the Scheme has bought assets with the agreement to sell at a fixed date and price) are included at the fair value of the repurchase price (as an asset). Cash delivered under reverse repurchase contracts is recognised as an investment receivable in the financial statements. Securities received in exchange are disclosed as collateral supporting this receivable but not included as Scheme assets.

4.8 Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end.

Foreign currency transactions are translated into sterling at the exchange rate at the date of the transaction.

Gain or losses arising on conversion or translation are dealt with as part of the change in market value of investments.

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

Notes to the financial statements for the year ended 5 April 2021 (continued)

5 EMPLOYER CONTRIBUTIONS

	Defined Benefit Section	**Defined Contribution Section**	**Total 2021**
	£000	**£000**	**£000**
Normal	**-**	**-**	**-**
Deficit funding	**15,035**	**-**	**15,035**
Employer's other contributions	**1,308**	**-**	**1,308**
	16,343	**-**	**16,343**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2020*
	£000	*£000*	*£000*
Normal	*20*	*-*	*20*
Deficit funding	*21,350*	*-*	*21,350*
Employer's other contributions	*1,600*	*-*	*1,600*
	22,970	*-*	*22,970*

Deficit contributions
Following the 31 December 2019 formal valuation, the Trustee and the Company agreed a new Schedule of Contributions which was signed on 5 June 2020. Deficit contributions of £15m (2020: £21.3m) were received during the year.

Under the revised schedule, the Company is required to pay future annual deficit contributions as follows

By 31 March 2022 £15.0m
By 31 March 2023 £15.0m
By 31 March 2024 £24.5m
By 31 March 2025 £24.5m
By 31 March 2026 £24.5m
By 31 March 2027 £24.5m
By 31 March 2028 £24.5m
By 31 March 2029 £24.5m

Following the conclusion of the 31 December 2019 formal valuation of the Classic Section, the Trustee and the Company agreed a new Schedule of Contributions which was signed on 12 April 2021. During the year recovery contributions of £34,507 (2020: £nil) were received.

Under the revised schedule, the Company is required to pay future annual deficit contributions in respect of the Classic Section as follows:

By 12 May 2022: £34,508
By 12 May 2023: £34,507

Employers other Contributions

Monthly contributions of £133,333 for the months of May and June, and £104,167 for the remaining ten months were paid to provide for the administrative expenses including Pension Protection Levy which are included in other contributions. The Sponsoring Employer will also reimburse the Trustee for the Pension Protection Fund scheme-based and risk-based levy for levy years up until financial year 2028/2029.

Notes to the financial statements for the year ended 5 April 2021 (continued)

6 TRANSFERS BETWEEN SECTIONS

	Defined Benefit Section	**Defined Contribution Section**	**Total 2021**
	£000	**£000**	**£000**
Transfer of AVC benefits upon retirement	**1,247**	**(1,247)**	**-**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2020*
	£000	*£000*	*£000*
Transfer of AVC benefits upon retirement	*333*	*(333)*	*-*

7 OTHER INCOME

	Defined Benefit Section	**Defined Contribution Section**	**Total 2021**
	£000	**£000**	**£000**
Other income	**7**	**-**	**7**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2020*
	£000	*£000*	*£000*
Other income	*42*	*1*	*43*

Notes to the financial statements for the year ended 5 April 2021 (continued)

8 BENEFITS PAID OR PAYABLE

	Defined Benefit Section	Defined Contribution Section	Total 2021
	£000	£000	£000
Pensions	35,209	-	35,209
Commutations and lump sum retirement benefits	4,591	-	4,591
Death benefits	128	4	132
Taxation where lifetime allowance exceeded	-	-	-
	39,928	4	39,932

	Defined Benefit Section	*Defined Contribution Section*	*Total 2020*
	£000	*£000*	*£000*
Pensions	*34,298*	*-*	*34,298*
Commutations and lump sum retirements benefits	*6,264*	*170*	*6,434*
Death benefits	*70*	*-*	*70*
Taxation where lifetime allowance exceeded	*172*	*-*	*172*
	40,804	*170*	*40,974*

9 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Defined Benefit Section	Defined Contribution Section	Total 2021
	£000	£000	£000
Transfers out – individual	15,074	97	15,171

	Defined Benefit Section	*Defined Contribution Section*	*Total 2020*
	£000	*£000*	*£000*
Transfers out - individual	*8,654*	*404*	*9,058*

Notes to the financial statements for the year ended 5 April 2021 (continued)

10 OTHER PAYMENTS

	Defined Benefit Section £000	**Defined Contribution Section £000**	**Total 2021 £000**
Premiums on term insurance policies	**22**	**-**	**22**

	Defined Benefit Section £000	*Defined Contribution Section £000*	*Total 2020 £000*
Premiums on term insurance policies	*20*	*-*	*20*

Term insurance policies are secured by a policy underwritten by Lockton.

Notes to the financial statements for the year ended 5 April 2021 (continued)

11 ADMINISTRATIVE EXPENSES

	Defined Benefit Section	**Defined Contribution Section**	**Total 2021**
	£000	**£000**	**£000**
Administration and Processing	**422**	**-**	**422**
Actuarial fees	**414**	**-**	**414**
Audit fees	**33**	**-**	**33**
Legal fees	**142**	**-**	**142**
TPR levy	**26**	**-**	**26**
Trustee fees	**238**	**-**	**238**
Other professional fees	**88**	**-**	**88**
Bank charges	**8**	**-**	**8**
Consultancy fees	**264**	**-**	**264**
Sundry expenses	**11**	**-**	**11**
	1,646	**-**	**1,646**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2020*
	£000	*£000*	*£000*
Administration and Processing	*433*	*-*	*433*
Actuarial fees	*373*	*-*	*373*
Audit fees	*79*	*-*	*79*
Legal fees	*(28)*	*-*	*(28)*
TPR levy	*306*	*-*	*306*
Trustee fees	*259*	*-*	*259*
Other professional fees	*128*	*-*	*128*
Bank charges	*8*	*-*	*8*
Consultancy fees	*291*	*-*	*291*
Sundry expenses	*-*	*-*	*-*
	1,849	*-*	*1,849*

The Scheme bears all costs of administration.

Audit fees in 2020 include £55k in relation to the audit of the Net Asset Statement at 31 December 2019.

Notes to the financial statements for the year ended 5 April 2021 (continued)

12 TAX

The De La Rue Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income.

13 INVESTMENT INCOME

	Defined Benefit Section	**Defined Contribution Section**	**Total 2021**
	£000	**£000**	**£000**
Income from bonds	**10,275**	**-**	**10,275**
Income from pooled investment vehicles	**50,585**	**-**	**50,585**
Interest on cash deposits	**-**	**-**	**-**
Net interest expense on repurchase agreements	**(564)**	**-**	**(564)**
Income from annuities	**146**	**-**	**146**
	60,442	**-**	**60,442**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2020*
	£000	*£000*	*£000*
Income from bonds	*6,218*	*-*	*6,218*
Income from pooled investment vehicles	*51,450*	*-*	*51,450*
Interest on cash deposits	*7*	*-*	*7*
Income from annuities	*226*	*-*	*226*
	57,901	*-*	*57,901*

Notes to the financial statements for the year ended 5 April 2021 (continued)

14 INVESTMENT MANAGEMENT EXPENSES

	Defined Benefit Section	**Defined Contribution Section**	**Total 2021**
	£000	**£000**	**£000**
Administration, management & custody	**1,286**	**-**	**1,286**
Investment fee rebate	**(32)**	**-**	**(32)**
	1,254	**-**	**1,254**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2020*
	£000	*£000*	*£000*
Administration, management & custody	*1,295*	*-*	*1,295*
Investment fee rebate	*(75)*	*-*	*(75)*
	1,220	*-*	*1,220*

Notes to the financial statements for the year ended 5 April 2021 (continued)

15 INVESTMENTS

15.1 INVESTMENT RECONCILIATION

Defined Benefit Section

	Opening Value	Purchase cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Closing Value
	£000	£000	£000	£000	£000
Bonds	**113,719**	1,243,934	(244,266)	(68,943)	**1,044,444**
Pooled investment vehicles	**920,441**	324,197	(637,948)	46,676	**653,366**
Derivatives	**(2,978)**	85,075	(38,844)	3,146	**46,399**
	1,031,182	1,653,206	(921,058)	(19,121)	**1,744,209**
Cash	**3,455**				**803**
Repurchase agreements (net)	**-**				**(773,428)**
Accrued investment income	**2,316**				**5,126**
Unsettled transactions	**47**				**66,691**
	1,037,000				**1,043,401**

Defined Contribution Section

	Opening Value	Purchase cost	Sales proceeds	Change in market value	Closing Value
	£000	£000	£000	£000	£000
Pooled investment vehicles	**12,947**	253	(1,371)	3,525	**15,354**
AVC investments	**751**	-	(57)	(2)	**692**
	13,698	253	(1,428)	3,523	**16,046**
Unsettled transactions	**-**				**23**
	13,698				**16,069**

Included within the investments shown above are assets not designated to members, with a value of £500k at 5 April 2021 (5 April 2020: £327k).

Transaction Costs

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

Notes to the financial statements for the year ended 5 April 2021 (continued)

15 INVESTMENTS (CONTINUED)

15.1 INVESTMENT RECONCILIATION (CONTINUED)

Direct Transaction Costs

Direct transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation above and details are contained in the following table.

		Bonds	PIVs	Total	*2019*
		£	£	£	*£*
Explicit costs		197	-	197	*2,335*
5 April 2021	**£**	**197**	**-**	**197**	*2,335*
31 December 2019	*£*	*2,235*	*100*	*2.335*	*2,335*

In the year to 5 April 2020 the investment manager provided information for the year to 31 December 2019. Unlike the remainder of the tables within this set of accounts, this table has not been rounded to the nearest £1,000.

15.2 POOLED INVESTMENT VEHICLES (PIV)

Defined Benefit Section

The defined benefits section holdings of PIVs are analysed below:

	2021	2020
	£000	£000
Equities	**126,513**	*89,973*
Diversified growth	**55,380**	*46,765*
LDI	**-**	*298,398*
Liquidity	**206,941**	*300,653*
Secured Credit Fund (see breakdown on page 42)	**139,556**	*75,865*
Multi-Asset Credit	**124,976**	*108,787*
	653,366	*920,441*

Notes to the financial statements for the year ended 5 April 2021 (continued)

15 INVESTMENTS (CONTINUED)

15.2 POOLED INVESTMENT VEHICLES (PIV) (CONTINUED)

The Scheme is the sole investor in the Secured Credit Fund. The assets underlying this PIV are:

	2021	2020
	£000	£000
Bonds	**124,333**	*46,835*
Forward foreign exchange contracts	**1,192**	*(69)*
Liquidity fund	**15,036**	*27,015*
Cash and unsettled transactions	**(1,005)**	*2,084*
	139,556	*75,865*

Defined Contribution Section

The defined contribution section holdings of PIVs are analysed below:

	2021	2020
	£000	£000
Equities	**12,825**	*9,617*
Bonds	**2,016**	*2,165*
Cash	**513**	*1,165*
	15,354	*12,947*

15.3 DERIVATIVES

OBJECTIVES AND POLICIES

A summary of the Scheme's outstanding derivative contracts at the year end is set out below:

			2021			*2020*
	Assets	**Liabilities**	**Net**	*Assets*	*Liabilities*	*Net*
	£000	**£000**	**£000**	*£000*	*£000*	*£000*
Swaps	**83,128**	**(37,033)**	**46,095**	*1,673*	*(4,593)*	*(2,920)*
Forward foreign exchange	**306**	**(2)**	**304**	*400*	*(458)*	*(58)*
	83,434	**(37,035)**	**46,399**	*2,073*	*(5,051)*	*(2,978)*

Notes to the financial statements for the year ended 5 April 2021 (continued)

15 INVESTMENTS (CONTINUED)

15.3 DERIVATIVES (continued)

The Trustee has authorised the use of derivative contracts by its investment managers for the use of risk management or the efficient execution of the investment strategy.

- Swap contracts are used by Insight to manage the interest rate risk on the bond portfolio.
- Forward foreign exchange contracts are entered into by Insight on behalf of the Trustee to hedge their currency exposure on overseas holdings.

Swaps	Notional Amounts £000	Expires	Asset value £000	Liability value £000
Inflation swaps	15,225	< 5 years	233	(128)
Inflation swaps	12,405	< 10 years	-	(235)
Inflation swaps	31,739	< 15 years	445	(30)
Inflation swaps	3,154	< 20 years	72	(72)
Inflation swaps	3,110	< 35 years	458	-
Inflation swaps	3,487	< 45 years	467	(730)
Inflation swaps	1,537	< 50 years	-	(108)
Interest rate swaps	47,065	< 5 years	192	(263)
Interest rate swaps	53,292	< 10 years	11,595	-
Interest rate swaps	62,482	< 15 years	7,510	(6,319)
Interest rate swaps	46,057	< 20 years	8,602	(6,901)
Interest rate swaps	60,149	< 25 years	12,024	(4,649)
Interest rate swaps	39,723	< 30 years	10,853	(304)
Interest rate swaps	51,263	< 35 years	11,415	(5,391)
Interest rate swaps	19,852	< 40 years	-	(5,086)
Interest rate swaps	64,556	< 45 years	19,262	(3,450)
Interest rate swaps	2,801	< 50 years	-	(1,139)
Interest rate swaps	11,591	< 55 years	-	(2,228)
Total 2021			***83,128***	**(37,033)**
Total 2020			*1,673*	*(4,593)*

Notes to the financial statements for the year ended 5 April 2021 (continued)

15 INVESTMENTS (CONTINUED)

15.3 DERIVATIVES (continued)

Forward Foreign Exchange (FX)	Settlement Date	Currency Bought (000)	Currency Sold (000)	Asset value £000	Liability value £000
Bought GBP Sold USD	14/04/2021	12,408	17,013	**162**	
Bought USD Sold GBP	14/04/2021	129	93		**(1)**
Bought GBP Sold USD	14/04/2021	622	866		**(1)**
Bought GBP Sold USD	14/04/2021	11,138	15,277	**144**	
Total 2021				**306**	**(2)**
Total 2020				*400*	*(458)*

At 31 March 2021 2021 collateral of £50.1m (2020: £2.1m) was held in relation to outstanding swap contracts. Of this balance £45.3m was held as cash (2020: £2.1m) and £4.8m (2020: £nil) was held as bonds.

At 31 March 2021 collateral of £3.9m (2020: £4.1m) was pledged in relation to outstanding swap contracts. Of this balance, £0.7m (2020: £1.4m) was pledged as cash and £3.2m (2020: £2.7m) was pledged as bonds.

The collateral relates to swap contracts held within the Insight portfolio. Insight reconcile collateral on a monthly basis and as such do not provide details of collateral held at 5 April.

15.4 REPURCHASE AGREEMENTS

In order to manage the Scheme's economic exposure to interest rates and inflation rates, a liability hedging programme using Repurchase Agreements ("Repos") and Reverse Repurchase agreements has been put it in place. Repos are instruments comprising the sale of assets with an agreement to repurchase them at a specified later date and at a fixed price. Reverse repos are instruments comprising the purchase of assets with an agreement to resell them at a specified later date and at a fixed price.These help with the efficient hedging of interest and inflation risk by using leverage. Repos and reverse repos form part of a liability matching portfolio managed by Insight. The Scheme receives cash consideration fromcounterparties in return for the transfer of bonds, which it commits to repurchase for the consideration received plus accrued interest.

	£000
Net Cash consideration received in year	**773,428**
Accrued interest payable to counterparties	**327**
Amounts payable to counterparties on expiration of contracts	**773,755**

Notes to the financial statements for the year ended 5 April 2021 (continued)

15 INVESTMENTS (CONTINUED)

15.4 REPURCHASE AGREEMENTS (continued)

In total, there are 46 (2020: £nil) repurchase agreements held at 5 April 2021 with a liability market value of £778.5m (2020: nil) at the year end. In addition there is one (2020: nil) reverse repo contract with an asset market value of £5.1m (2020: £nil). This gives rise to a net repo liability of £773.4m (2020 :£nil). The expiry dates range between April 2021 and August 2021.

Collateral of £37.6m has been pledged (2020: £nil) by the Scheme at 31 March 2021 in relation to these repurchase agreements. The collateral relates to repurchase agreements held within the Insight mandate. Insight reconcile collateral on a monthly basis and as such do not provide details of collateral held at 5 April.

15.5 ADDITIONAL VOLUNTARY CONTRIBUTION INVESTMENTS

The Trustee holds assets which are separately invested from the main fund. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement receive an annual statement made up to 5 April each year, confirming the amounts held to their account and movements during the year.

There were no AVC investments held under the Defined Benefit Section at the year end.

The total amount of AVC investments held under the Defined Contribution Section at the year end is shown below:

	2021	2020
	£000	£000
Dunfermline (cash)	**-**	*2*
Utmost Life and Pensions Limited (with profits and unit linked funds)	**47**	*47*
Phoenix Life (with profits and unit linked funds)	**335**	*342*
Prudential (with profits and unit linked funds)	**310**	*360*
	692	*751*

Included in the Defined Contribution Section's pooled investment vehicles are AVCs held with BlackRock of £2,463k (2020: £2,689k).

Notes to the financial statements for the year ended 5 April 2021 (continued)

15 INVESTMENTS (CONTINUED)

15.6 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Scheme's net assets:

	2021 Market Value		2020 Market Value	
	£000	**%**	£000	%
Insight Secured Finance Direct Lending	**139,556**	**13.1**	75,865	7.1
Insight Liquid ABS Fund Class S Acc GBP	**101,477**	**9.5**	73,003	6.9
Baillie Gifford Diversified Growth Pension Fund	**55,380**	**5.2**	46,765	4.4
Insight Liquidity Fund Liquidity Plus Class 2	**-**	-	202,174	*19.0*
Insight LDI Enhanced Selection Nominal GBP B	**-**	**-**	103,827	*9.8*
Insight LDI Enhanced Select Shorter Nominal B GBP	**-**	**-**	89,355	*8.4*
Insight LDI Enhanced Selection Real GBP B	**-**	**-**	78,434	*7.4*

Notes to the financial statements for the year ended 5 April 2021 (continued)

15 INVESTMENTS (CONTINUED)

15.7 INVESTMENTS FAIR VALUE HIERARCHY

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

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment dates.

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

Level 3 Inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability. Investments reported under Level 3 are included at fair value based on values estimated by the underlying fund managers using accepted valuation methodologies and use of market information in the absence of observable market data.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement. The Scheme's investment assets and liabilities are classified as follows:

As at 5 April 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Defined Benefit Section				
Bonds	**-**	**1,044,444**	**-**	**1,044,444**
Pooled investment vehicles	**-**	**528,390**	**124,976**	**653,366**
Derivatives	**-**	**46,399**	**-**	**46,399**
Cash	**803**	**-**	**-**	**803**
Accrued investment income	**5,126**	**-**	**-**	**5,126**
Repurchase agreements (net)	**-**	**(773,428)**	**-**	**(773,428)**
Unsettled transactions	**66,691**	**-**	**-**	**66,691**
	72,620	**845,805**	**124,976**	**1,043,401**
Defined Contribution section				
Pooled investment vehicles	**-**	**15,354**	**-**	**15,354**
AVC investments	**-**	**692**	**-**	**692**
Unsettled Transactions	**23**	**-**	**-**	**23**
	23	**16,046**	**-**	**16,069**

As at 5 April 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Defined Benefit Section				
Bonds	*-*	*113,719*	*-*	*113,719*
Pooled investment vehicles	*-*	*811,655*	*108,786*	*920,441*
Derivatives	*-*	*(2,978)*	*-*	*(2,978)*
Cash	*3,455*	*-*	*-*	*3,455*
Accrued investment income	*2,316*	*-*	*-*	*2,316*
Unsettled transactions	*47*	*-*	*-*	*47*
	5,818	*922,396*	*108,786*	*1,037,000*
Defined Contribution section				
Pooled investment vehicles	*-*	*12,947*	*-*	*12,947*
AVC investments	*-*	*751*	*-*	*751*
	-	*13,698*	*-*	*13,698*

Notes to the financial statements for the year ended 5 April 2021 (continued)

15 INVESTMENTS (CONTINUED)

15.8 INVESTMENT RISKS

FRS 102 requires certain disclosures in relation to investment risks arising from financial instruments.

Retirement benefit schemes need to disclose information that enables users of its financial statements to evaluate the nature and extent of the market risk and credit risk arising from the investments at the end of the reporting period.

It defines market risk as:

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risks.

- Interest rate risk — the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- Currency risk — the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Other price risk — the risk that the fair value or future cash flows of a financial instrument 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 financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

It defines credit risk as:

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Risks associated with the current investment strategy are:

Credit risk

The Scheme is subject to credit risk from its holdings in bonds, gilts, derivatives, and cash balances.

Credit risk arising on bonds held directly is mitigated by investing in corporate bonds which are rated at least investment grade. Credit risk arising on other investments is mitigated by investment mandates requiring all counterparties to be at least investment grade credit rated.

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch or rated at Baa3 or higher by Moody's.

Direct credit risk arising from pooled investment vehicles is mitigated by ring-fencing the underlying assets of the pooled arrangements from the pooled manager. This is achieved via the regulatory environments in which the pooled managers operate and the diversification of investments amongst pooled arrangements. The Trustee carries out due diligence checks on the appointment of new managers, and on an ongoing basis monitors any changes to the operating environment of the pooled manager. Pooled fund investment arrangements used by the Scheme comprise of unit-linked insurance contracts OEICs and limited liability partnerships:

Pooled arrangement (Defined Benefit and Defined Contribution)	2021 (£000)	2020 (£000)
Unit linked insurance contracts	141,867	102,920
OEIC	401,877	721,682
Limited liability partnerships	124,976	108,786
Total	**668,720**	**933,388**

Notes to the financial statements for the year ended 5 April 2021 (continued)

15 INVESTMENTS (CONTINUED)

15.8 INVESTMENT RISKS (CONTINUED)

Indirect credit risk arising in relation to underlying investments is mitigated by only investing in funds which hold at least investment grade credit rated investments.

The Scheme also invests in private debt which does not have a credit rating. Credit risk arising from private debt or instruments that are not listed is mitigated by purchasing debt that is securitised by way of physical assets and/or purchasing debt higher up the capital structure for the issuer. The Trustee manages the associated credit risk by requesting that the investment manager diversifies the portfolio to minimise the impact of default by any one issuer.

Where managers use derivatives and repurchase arrangements, these are generally collateralised or centrally cleared to reduce risk.

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

Interest rate risk

The Scheme is subject to interest rate risk – in absolute terms, and via unhedged risk in relation to the liabilities. The value of the Scheme's bonds, gilts, and certain derivatives (e.g. swaps), are subject to interest rate risk. However, these assets offset a proportion (currently around 84%) of the interest rate risk associated with the liabilities. If interest rates fall, the value of these investments will rise to help match the increase in the actuarial value of the liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value as will the actuarial value of the liabilities because of an increase in the discount rate.

Currency risk

The Scheme is subject to currency risk from a proportion of its investments in equities, bonds and other financial instruments.

The Trustee has decided to hedge part of the overseas equities currency exposure and not to hedge the remaining equity currency risk as it provides an additional source of diversification. The Scheme's pooled currency hedged equity funds structure with LGIM hedges 66% of exposure to overseas currency (excluding emerging markets).

Management of currency risks arising in the Scheme's other mandates is generally left to the discretion of the managers, noting that their performance targets are set by reference to Sterling-based markets.

Other price risks

Other price risk arises principally from the Scheme's return-seeking portfolio, which includes equities, diversified growth funds, other financial instruments and AVCs (which account for less than 1% of the portfolio). A few of the Scheme's managers use derivatives as a way of obtaining efficient exposure to investment markets.

Use of derivatives

The Trustee holds futures, interest rate swaps and forward foreign exchange contracts, details of which can be found in note 15.3.

Notes to the financial statements for the year ended 5 April 2021 (continued)

15. INVESTMENTS (CONTINUED)

15.8 INVESTMENT RISKS (CONTINUED)

The following table illustrates the extent which the Scheme's investments are subject to the above risks:

Manager	Total 2021 (£000)	Total 2020 (£000)	Credit Risk	Interest Rate Risk	Currency Risk	Other Risk
Bonds						
Insight Buy and Maintain	121,433	113,719	Yes	Yes	No*	No
Insight LDI	923,011	-	Yes	Yes	Yes	No
Pooled Funds						
Baillie Gifford Diversified Growth	55,380	46,765	Yes	Yes	Yes	Yes
Insight Liquidity Fund♯	105,652	205,079	Yes	No	No	No
Insight Secured Finance Lending	139,556	75,865	Yes	Yes	No	Yes
Insight Liquid/Global ABS	101,289	95,574	Yes	Yes	No	Yes
Partners Group Multi-Asset Credit****	76,389	68,718	Yes	Yes	No*	Yes
Alcentra Global Multi-Asset Credit****	48,587	40,069	Yes	Yes	No*	Yes
Insight LDI	-	298,398	Yes	Yes	No*	No
*Insurance Policies***						
LGIM Global Equities	103,175	73,184	No	No	Yes	Yes
LGIM UK Equities	23,338	16,789	No	No	No	Yes
Cash other net investment assets	72,620	5,818	Yes	No	No	No
Derivatives	46,399	(2,978)	Yes	Yes	Yes***	No
Repurchase agreements	(773,428)	-	Yes	Yes	No	No
Total Defined Benefit Section	**1,043,401**	**1,037,000**				
AVC investments	692	751	Yes	Yes	Yes	Yes
Insurance Policies	15,354	12,947	Yes	Yes	Yes	Yes
Total Defined Contribution Section	**16,046**	**13,698**				

Notes to the financial statements for the year ended 5 April 2021 (continued)

15. INVESTMENTS (CONTINUED)

15.8 INVESTMENT RISKS (CONTINUED)

*There is scope for small amount of currency risk in these mandates, but it is not the main risk of the investment. Currency exposures within the Partners portfolio are generally hedged back Sterling. **The assessment above reflects the underlying assets of the insurance policies. The Trustee acknowledges that there is some credit risk associated with an insurance policy. ***Whilst the derivative contracts are exposed to currency risk, these are used to offset currency risk taken elsewhere within the Scheme's asset portfolio. **** Partners Group valuation is as of 31 March 2021 (includes Partners Group Multi-Asset Credit 2016 (III) and Partners Group Multi-Asset Credit 2019 (V)) . Alcentra valuation is as of 31 March 2021. The Liquidity Fund is the cash only component of the Insight LDI portfolio.

16 CURRENT ASSETS

	Defined Benefit Section	**Defined Contribution Section**	**Total 2021**
	£000	**£000**	**£000**
Employer contributions due	**104**	**-**	**104**
Due from Employer	**192**	**-**	**192**
Prepaid pensions	**2,548**	**-**	**2,548**
Cash balances	**7,148**	**94**	**7,242**
	9,992	**94**	**10,086**

	Defined Benefit Section	*Defined Contribution Section*	*Total 2020*
	£000	*£000*	*£000*
Employer contributions due	*133*	*-*	*133*
Prepaid pensions	*2,494*	*-*	*2,494*
Cash balances	*12,312*	*290*	*12,602*
	14,939	*290*	*15,229*

Included in the Defined Contribution cash balances above is £77k (2020: £77k) which is not allocated to members.

Amounts due from Employer relate to recharges of Scheme expenses.

Notes to the financial statements for the year ended 5 April 2021 (continued)

17 CURRENT LIABILITIES

	Defined benefit section	**Defined contribution section**	**Total 2021**
	£000	**£000**	**£000**
Unpaid benefits	**79**	**-**	**79**
Accrued expenses	**1,861**	**-**	**1,861**
Amounts due to Employer	**128**		**128**
	2,068	**-**	**2,068**

	Defined benefit section	*Defined contribution section*	*Total 2020*
	£000	*£000*	*£000*
Unpaid benefits	*448*	*-*	*448*
Accrued expenses	*1,160*	*-*	*1,160*
	1,608	*-*	*1,608*

18 EMPLOYER RELATED INVESTMENTS

At the year end, the Employer owed the Scheme £192k (2020:£nil). This amount is included as a current asset, and is included within note 16 of these accounts. It arose due to the Employer incorrectly recharging the Scheme in respect of the annual Pension Protection Fund (PPF) levy . This amount was repaid to the Scheme through a credit against the recharge of Scheme expenses in the year to 31 March 2022.

19 CONTINGENCIES LIABILITIES

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.

In November 2020 a further High Court judgement was made in respect of GMP equalisation and historic transfer values. The judge ruled that historic transfer values would fall under the scope of GMP equalisation andthat trustees of pensions schemes remain liable to members where transfer value payments reflected unequalised GMP benefits.

Notes to the financial statements for the year ended 5 April 2021 (continued)

20 CONTINGENCIES LIABILITIES (continued)

The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The Trustee is aware that the issue will have a significant effect on the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. However, at this stage the Trustee and Employer have not agreed the equalisation methodology to be used and therefore the Trustee is not in a position to obtain a reliable estimate of the backdated benefits and related interest. Therefore the cost of backdating pension benefits and related interest have not been recognised in these financial statements. They will be recognised once the Trustee is able to reach a reliable estimate

21 RELATED PARTY TRANSACTIONS

Other that those items disclosed below and elsewhere in the financial statements, there were no related party transactions.

At 5 April 2021 three (5 April 2020: three) of the Trustee Directors were pensioner members and were in receipt of a pension in accordance with the Scheme Rules.

Fees paid in respect of Independent Trustee services provided by PAN Trustees UK LLP (previously PAN Governance LLP) for the year ended 5 April 2021 were £238k (5 April 2020: £156k).

Section 6 – Independent Auditors' Statement About Contributions

Independent Auditors' Statement about Contributions to the Trustee of the De La Rue Pension Scheme

Statement about Contributions

Opinion

In our opinion, the contributions payable under the Schedules of contributions for the scheme year ended 5 April 2021 as reported in De La Rue Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the Schedules of contributions certified by the scheme actuary on 1 July 2016 and 5 July 2020.

We have examined De La Rue Pension Scheme's summary of contributions for the scheme year ended 5 April 2021 which is set out on the following page.

Basis for opinion

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

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

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

Auditors' responsibilities in respect of the statement about contributions

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

Use of this report

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
Date: 29 September 2021

Section 7 - Summary of Contributions

Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme year ended 5 April 2021

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee.

It sets out the Employer and Member contributions payable to the Scheme under the Schedules of Contributions certified by the Actuary on 1 July 2016 and 5 June 2020 in respect of the Scheme year ended 5 April 2021. The Scheme Auditors report on contributions payable under the Schedules in the Auditors' Statement about Contributions.

Summary of Contributions payable in respect of the Scheme year

Employer's Contributions	£000
Deficit funding	15,000
Employer's other contributions	1,308
Total contributions payable under the Schedules	**16,308**
Deficit funding	35
Total contributions payable to the Scheme per the Fund Account	**16,343**

Signed for and on behalf of the Trustee:

Trustee Director

Trustee Director

29th September 2021

Date

Section 8 – Actuarial Statement & Certificate

Appendix C: Technical provisions certificate

My certification of the calculation of the technical provisions is included below. I am also required to certify the adequacy of the contribution rates set out in the schedule of contributions. That certificate is appended to the contribution schedule.

Actuarial certification of the calculation of technical provisions as required by regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: De La Rue Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2019 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[s] of the scheme and set out in the statement of funding principles dated 5 June 2020

Signature	
Date	5 June 2020.
Name	Laura McLaren
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	20 Waterloo Street Glasgow G2 6DB

Section 9 – Chairman's Statement regarding DC Governance for the year ended 5 April 2021

What is this Statement for?

It is important that you can feel confident that your Defined Contribution ("DC") and Additional Voluntary Contribution ("AVC") benefits in the De La Rue Pension Scheme ("the Scheme") are being looked after and give good value. This document is not relevant to any member's Defined Benefit pension in the Scheme.

Under legislation, certain governance requirements apply to defined contribution pension arrangements i.e. the requirement to prepare a yearly statement which describes how these governance requirements are met. This Statement sets out how we have managed the Scheme in the last year and what we aim to do in the coming year.

A copy of this Statement, together with other key Statements about how the Scheme is managed are posted online at https://www.delaruepensions.co.uk/de-la-rue

What's in this Statement?

We have included information on the following areas in this Statement:

1 How we manage your Scheme – who the Trustee is and what guides our decision making;

2 Investment options – what we have done to check the performance and suitability of the Scheme's investment options;

3 Investment performance – what returns have the investment options given over the last year;

4 Cost and charges – what costs and charges you have paid in the last year and how these might impact the size of a typical member's savings in the Scheme over time;

5 Value for Members – the quality of the Scheme's services (including the investment returns on your savings);

6 Administration – how well the Scheme has been administered including how promptly and accurately key transactions (such as the investment of your contributions) have been processed;

7 Trustee knowledge – what we as the Trustee have done to maintain our level of knowledge and obtain the professional advice we need to look after the Scheme for you;

8 Our key actions last year and plans for the next year – what key actions we took in the last year and what we aim to do in the coming year to continue to improve the Scheme for all our members.

What were the highlights from the last 12 months?

We can confirm to you that:

1 How we manage your Scheme

Three new Trustee Directors were appointed in the past year. See section 1 for details.

The Statement of Investment Principles, which sets out our policies on how your contributions should be invested, was updated on 18 September 2020 to reflect new pensions regulations which came into effect at 1 October 2020. The first implementation report describing how we have followed the policies we set out in the Statement of Investment Principles will be published before 1 October 2021.

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

2 Investment options

We are satisfied that the DC and AVC investment options performed in-line with our objectives and remain suitable for most members – see section 2 for more details.

There have been no other changes to the investment options in the last year.

3 Investment performance

2020 was a challenging year for investment markets because of the uncertainty created by the Covid-19 pandemic and the US presidential election.

However, over the year to 31 March 2021 the investment returns produced by the self-select options were generally in-line with the funds' objectives. See section 3 for further details.

4 Cost and charges

You pay for the DC and AVC investment and transaction costs, while the Employer pays the cost of the Scheme's administration, governance and communications.

We monitored the costs and charges going out of members' pension pots during the last year.

The charges in the last year for the DC investment options were approximately 0.11% p.a. to 0.16% p.a. of the amount invested (or put another way £1.10 to £1.60 for every £1,000 invested). See section 4 for further details.

5 Value for Members

Each year we look at the costs and charges you pay for your DC and AVC benefits as well as the range and quality of the DC and AVC services you pay for and see how they compare with similar pension schemes and a selection of master trusts.

We found that the Scheme gave Good value in the last year. During the next Scheme year 2021/22 we will, in conjunction with the Employer, move all DC Section members to a Master Trust arrangement, which should enhance value for members – see section 5 for more details.

6 Administration

We check that the administration of the Scheme's DC and AVC benefits has run smoothly over the year. During the period covered by this Statement:

- The wider administration of the Scheme by Hymans Robertson LLP was completed within the service standards agreed.
- Over the year covered by this Statement no members provided feedback on the administration services.

The Covid19 coronavirus pandemic inevitably affected the Scheme during the year. Following Government advice, the administrator, Hymans Robertson LLP arranged for all staff to work from home with effect from March 2020, and successfully managed staff capacity during the pandemic. See section 6 for further details.

7 Trustee knowledge

It is important that we as the Trustee keep our knowledge of pension and investment matters up to date and have access to sound professional advice.

We received training during the year on subjects such as responsible investment (RI) covering our managers' RI policies – see section 7 for more details.

Overall, we believe that we have the right skills and expertise together with access to good quality professional advice so that we can run your Scheme properly.

Chairman’s Statement regarding DC Governance for the year ended 5 April 2021 (continued)

8 Our key actions last year and plans for the next year

During the last year we:

- Reviewed and updated the Statement of Investment Principles to reflect the 2019 Regulations on Responsible Investment, which came into force on 1 October 2020;
- Conducted the annual Value for Members assessment of the services for which members bear or share charges and costs;
- Assessed our investment advisers Hymans Robertson LLP against the investment objectives set in 2019 in keeping with the Competition and Markets Authority (CMA) final Order;
- Submitted to the CMA our first statement of compliance with the Order; and
- Arranged for the publication of the Scheme’s Chair’s Statement in a publicly searchable location on the internet with a note of this location in the annual benefit statements.

During the next year we aim to:

- Complete our first Implementation Statement describing how we have followed the policies in the Scheme’s Statement of Investment Principles over the Scheme year;
- Complete a high-level review of the Scheme’s AVC providers;
- Continue to engage with the investment managers on responsible investing; and
- Continue to monitor the administration of the Scheme’s DC and AVC benefits.
- Continue to work in conjunction with the Employer to move all DC Section members of the Scheme to a Master Trust arrangement to enhance value for members.

You can give us any feedback you have on your Scheme by logging on to https://www.delaruepensions.co.uk/de-la-rue/contact-us

The rest of this Statement goes into more detail – please read on if you want to find out more about how we have managed your Scheme in the last year.

We hope this Statement is of help to you planning for your future. If you have any questions, please contact the Scheme’s Adviser at:

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB
+44 (0)141 5667642
delaruepension@hymans.co.uk.

Chairman’s Statement regarding DC Governance for the year ended 5 April 2021 (continued)

Introduction

Governance requirements apply to defined contribution (“DC”) pension arrangements like the Scheme, to help members achieve a good outcome from their pension savings. We are required to produce a yearly statement describing how these governance requirements have been met.

This Statement covers the period from 6 April 2020 to 5 April 2021 (“the last Scheme year”).

For the record

This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by subsequent regulations.

Signed by the Chair of Trustee of the De La Rue Defined Benefit Pension Scheme

29th September 2021

1 How we manage your Scheme

At 5 April 2021, the Trustee Directors of the Scheme were:

Company appointed Directors

- PAN Trustees UK LLP (Independent Chairman, represented by M Roberts)
- N McGregor
- K Stirzaker (resigned 15 June 2020)
- K Ryan (appointed 10 December 2020)
- 20-20 Trustees Limited (represented by J Yates, appointed 13 January 2021)
- Ross Trustees (represented by G McKenzie, appointed 15 February 2021)

Member nominated Directors

- P Outridge
- K Brown
- M Salmon

The Statement of Investment Principles (SIP) sets out the Trustee's investment policies. The SIP covers all investment choices available to members, including a lifestyle strategy and self-select funds, but does not go into detail on these arrangements. Further details of DC investment options are provided in the Scheme's Investment Policy Implementation Document (IPID) which is a companion document separate from the SIP and available to members on request.

The SIP is appended in Appendix 1 to this Statement.

With the help of our advisers, we review the Statement of Investment Principles at least every three years. The last review was carried out in 2020 and the Statement was updated at 18 September 2020 to reflect updated regulatory requirements which came into effect as of 1 October 2020.

An implementation statement setting out how we complied with the Statement of Investment Principles during the year to 5 April 2021 will be made publicly available alongside this statement.

Over the year to 31 March 2021 the total value of members' DC pension pots (not including AVCs) grew from approximately £14.3m to £14.7m. Please note that although the DC Section's assets grew over the year, members may have seen some significant volatility in the value of their pension pot as a result of the coronavirus pandemic.

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

2 Investment options

Investment arrangements

As the Scheme is not a qualifying scheme for auto-enrolment purposes, there is no requirement for a default arrangement and we decided not to have a default arrangement. We encourage active decision-making by members, and members are therefore asked to make an explicit choice regarding the investment of their funds, choosing from a lifestyle strategy and a range of self-select options.

A selection of funds is likely to meet the needs of a wide cross-section of members because:

- Risk-return attitudes will vary among members and will also vary for each member over time, especially as they approach retirement;
- Members have differing investment needs, which change over their working lives; and
- Members may prefer to be closely involved in choosing where their contributions are invested.

The Statement of Investment Principles covering all the Scheme's investment arrangements is appended to this Statement in Appendix 1.

We carry out an in-depth review of the performance and suitability of these other investment options at least every 3 years. No review has been undertaken during the last Scheme year, A full review of the DC and AVC arrangements offered to Scheme members was completed on 14 May 2019. The review considered recent legislative, regulatory and market changes affecting DC and AVC arrangements, the Scheme's DC and AVC providers, and member-specific factors such as members' ages and what they choose to do with their pension pot at retirement. We are working in conjunction with the Employer to move all DC Section members to a Master Trust arrangement during the following Scheme year 2021/22. The investment options available in the Master Trust are broadly similar to the current investment options. Therefore, a future review of the Scheme's investment options is not required.

We are satisfied that the current fund ranges across the DC and AVC arrangements are still appropriate for the Scheme's current membership profile, and still represent good value for members (based on the assessment conducted in section 5).

3 Investment performance

The most popular fund among the investment options, the Aegon BlackRock 60/40 Global Equity Index fund, rose in value during the year to 31 March 2021 returning 31.5%. When looking at this figure it should be borne in mind that global and UK stock markets rose by 39.6% and 26.7% respectively over the same period. Performance is in relation to the market recovery following the Covid-19-related market falls.

We are satisfied that the fund performed in line with its benchmark index as expected of a passive fund.

Please note that the platform provider Aegon provides performance data to each quarter end and therefore the most recent "as at" performance date to 5 April 2021 has been sourced for this Statement.

More information

Investment returns for all funds over 1 year, 3 years and 5 years are shown in Appendix 4.

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

Further information on the funds, how they are invested and their performance during the year can be requested from the Scheme's administrators by emailing:

delaruepension@hymans.co.uk

4 Costs and charges

We are required to set out the charges and costs borne by members and the Employer for the Scheme's DC and AVC services in this Statement over the last Scheme year and these are set out as follows:

Service	By members	Shared	By the Employers
Investment management	✓	-	-
Investment transactions	✓	-	-
Administration	-	-	✓
Governance	-	-	✓
Communications	-	-	✓

The presentation of the charges and costs, together with the projections of the impact of charges and costs, takes into account the statutory guidance issued by the Department for Work and Pensions.

We have followed the statutory guidance in producing this section. We will publish this Statement in a publicly searchable location online, and the link included in members' annual benefit statements which can be accessed here https://www.delaruepensions.co.uk/de-la-rue.

Charges

The charges ("Investment management charges" referred to in the table above) quoted in this Statement are the investment funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

The funds' transaction costs ("Investment transaction costs" referred to in the table above) are in addition to the funds' TERs and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The Financial Conduct Authority ("FCA") requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

Chairman's Statement regarding DC Governance for the year ended 5 April 2020 (continued)

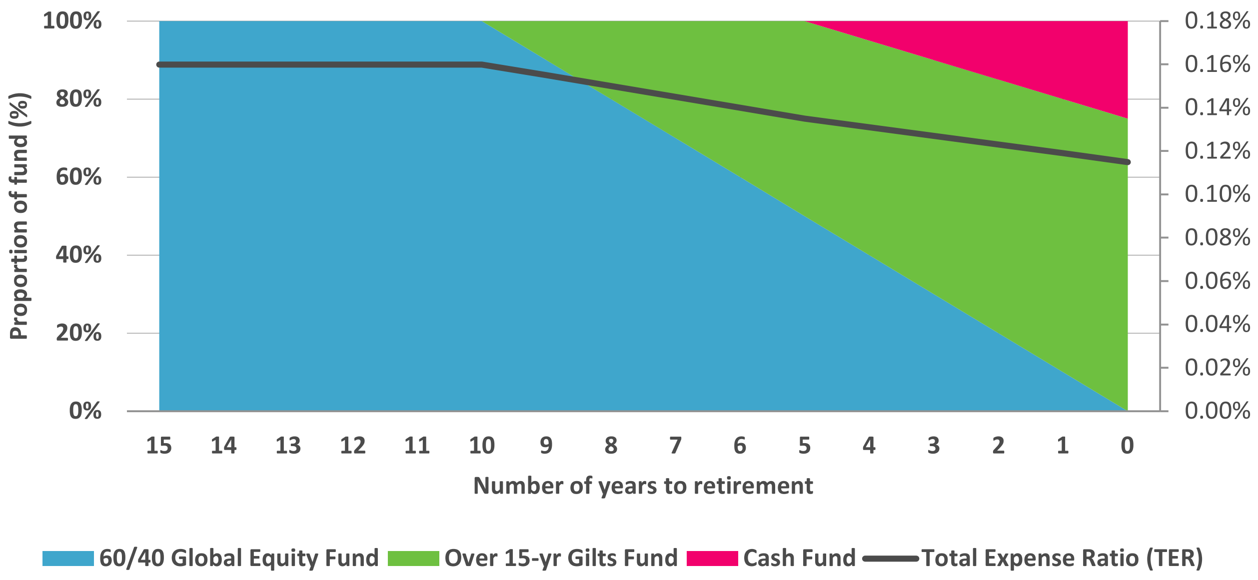
The transaction costs shown in this Statement are those taken from funds while members are invested in them. The transaction costs shown here do not include any costs members may incur from buying or selling units in the provider's funds due to the fund manager's unit price for a fund moving from a "bid" to "offer" basis (or vice versa) or any other "dilution levy" when units in that fund are bought or sold to protect the value of the fund for other investors.

Member-borne charges and transaction costs

Investment options: DC Money Purchase Section

The charges and transaction costs for the year to 31 March 2021 have been supplied by Aegon for the DC Money Purchase Section.

Lifestyle strategy



The lifestyle strategy invests contributions in funds according to how far each member is from their selected retirement date and according to the chart above. As a result, charges borne by each member can vary from one year to the next. Members' funds are 100% invested in the 60/40 Global Equity fund until 10 years prior to their selected retirement date, when the strategy glides into a mix of gilt and cash funds, namely the Over 15 Year Gilt Fund and Cash Fund respectively, providing greater diversification and protection.

During the year covered by this Statement the member-borne charges for the lifestyle strategy were in a range from approximately 0.12% p.a. to 0.16% p.a. of the amount invested or, put another way, in a range from £1.20 to £1.60 per £1,000 invested.

The transaction costs borne by members in the lifestyle strategy during the year were in a range from approximately -0.03% p.a. to 0.00% p.a. of the amount invested or, put another way, in a range from a saving of £0.30 to a cost of £0.00 per £1,000 invested. As mentioned earlier in this section a negative transaction cost can occur when favourable market movements offset trading costs during a transaction.

For the period covered by this Statement, the annualised charges and transaction costs are:

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

Period to retirement	Charge*		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
10 years [charges are at their highest]	0.16	1.60	0.00	0.00
8 years	0.15	1.50	-0.01	-0.10
5 years	0.14	1.35	-0.02	-0.20
3 years	0.13	1.27	-0.02	-0.20
At retirement [charges are at their lowest]	0.12	1.15	-0.03	-0.30

Source: Aegon. *Charge is the Total Expense Ratio

The table in Appendix 2a gives further details for each fund used by the lifestyle strategy.

Self-select funds

During the year covered by this Statement the member-borne charges for the self-select funds were in a range from 0.11% p.a. to 0.16% p.a. of the amount invested or, put another way, in a range from £1.10 to £1.60 per £1,000 invested. The transaction costs borne by members for the self-select funds during the year were in a range from approximately -0.04% p.a. to 0.01% p.a. of the amount invested or, put another way, in a range from a saving of £0.40 to £ per £1,000 invested.

The annual charges for the self-select funds during the period covered by this Statement are:

Fund	Charge*		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
60/40 Global Equity Fund	0.16	1.60	0.00	0.00
Over 15 Year Gilt Fund	0.11	1.10	-0.04	-0.40
Cash Fund	0.13	1.30	0.01	0.10

Source: Aegon. *Charge is the Total Expense Ratio

The table in Appendix 2a gives further details for each of the self-select funds.

Additional Voluntary Contributions ("AVCs"): Retirement Plan Section

The Scheme offers members in the defined benefit section a choice of 5 AVC arrangements. The AVC arrangements with Aegon offer the same funds with the same charges and costs covered previously for the money purchase section. This section covers the other four AVC arrangements.

The most recent levels of charges for each AVC fund and the transaction costs are set out in the table in Appendix 2b where this data has been provided.

Please note that the AVCs are closed to future contributions.

Unit-linked Funds

Some Scheme members are invested in unit-linked funds with Prudential and Utmost Life. We have analysed the charges on that basis that there are few providers within the AVC marketplace, and few are prepared to take on new business.

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

Prudential

Annual management charges for the Prudential unit-linked funds accrue daily and are deducted on the 27th of each month. As at 31 December 2020 the charge for each unit-linked fund was 0.75% p.a. of the amount invested or £7.50 per £1,000 invested. This does not include any charge for the UK Property Fund. Charges and costs data to 31 March 2021 had not been provided by Prudential at the time of preparing this Statement.

Transaction cost data to 31 March 2020 had not been provided for any of the funds at the time of preparing this Statement.

UK Property Fund: In December 2020 Prudential announced the permanent closure of their UK Property Fund, scheduled to take place in June 2021. There was one Scheme member invested in this fund. Having reviewed the options available, in March 2021 we wrote to the member advising them of the fund closure and notifying them that if no active decision was taken, Prudential would move their accrued funds to an alternative Prudential fund.

The annual management charge and transaction costs for the UK Property Fund was not available at the time of preparing this Statement.

Utmost Life and Pensions

Until July 2020, some Scheme members were invested in Utmost's Secure Cash fund. This fund was established to receive members who had been invested with Equitable Life (closed on 1 January 2020). In July 2020 these members' assets were switched to the provider's Investing by Age Strategy ("IbAS") which consists of multi-asset and money market funds, and the Secure Cash fund was subsequently closed.

As at 31 March 2021 the annual management charges for the funds in the IbAS were in a range from 0.50% p.a. to 0.75% p.a. of the amount invested or, put another way, in a range from £5.00 to £7.50 per £1,000 invested. As at 31 December 2020 the fund annual management for the Secure Cash fund was 0.50% p.a. There was no available data for this fund as at 31 March 2021.

As at 31 March 2021 the maximum transaction cost across the IbAS funds was 0.02% p.a. Based on available data to 31 December 2020 the transaction cost for Secure Cash was 0.00% p.a. and there was no data to 31 March.

With Profits Funds

Some members' AVCs are invested in With Profits Fund offerings from Prudential, Aviva, and Phoenix Life.

The charges and transaction costs for With Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. As a result, the charges and transaction costs are effectively averaged across all policyholders and it is not possible to determine the exact charges and costs borne by the members of our Scheme. It should be noted that the implicit costs and charges for the With Profits Fund cover the cost of guarantees and reserving as well as investment management and administration services.

We have requested information on charges and transaction costs from the AVC providers and continue to work with the providers to obtain this data.

Prudential

The Principles and Practices of Financial Management for the Prudential "With Profits" Fund state that the administration and investment charges should average 1.0% p.a.

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

Aviva

The administration and investment charges for the Aviva With Profits Funds have not been disclosed.

Phoenix Life

For With Profits arrangements with Phoenix Life there are no explicit charges in terms of plan fees, contract fees or administration fees. 100% of contributions paid are used to buy With Profits Benefits. The annual management charge is currently less than 1% per annum.

Missing information

We have been unable to obtain the following information to 31 March 2021:

- Prudential charges and transaction costs. Annual management charges as at 31 December 2020 for the unit-linked fund (except UK Property) are provided.
- Utmost Life charges and transaction costs for the Secure Finance fund. Data to 31 December 2020 has been provided.
- All With Profits fund transaction costs, which have not been disclosed.

We have requested all outstanding cost and charges information for the Scheme year covered by this Statement. We are regularly following up on these requests with the providers by phone calls and email.

Impact of costs and charges - illustration of charges and transaction costs

We have asked the Scheme's investment advisers, Hymans Robertson LLP, to illustrate the cumulative impact over time of the costs and charges borne by members.

Given that all the AVC arrangements are closed to future contributions, very few members are invested in the AVC funds not provided by Aegon. As limited information is available on the costs and charges of many of these funds we have decided, in accordance with the statutory guidance issued by the Department for Work and Pensions, to take a proportionate approach and not carry out projections for these funds.

For the Money Purchase funds, the illustrations will show projected fund values in today's money before and after costs and charges for two typical members of age 37 and age 50, from the present day up to retirement at age 65.

The table in Appendix 3a to this Statement shows these figures for the model members if invested in the Lifestyle Strategy or if invested wholly in each of the following self-select funds:

- The fund used by the greatest number of members is the 60/40 Global Equity Fund.
- The fund with the highest expected return (before costs) is the 60/40 Global Equity Fund.
- The fund with the lowest expected (before costs) return is the Cash Fund.
- The fund with highest annual member borne costs is the 60/40 Global Equity Fund.
- The funds with lowest annual member borne costs are the Cash Fund.

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

The "before charges" figures show the projected value of a member's savings assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures show the projected value of a member's savings using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

As an example, the illustrations show that:

- For a member currently of age 37 invested in the Lifestyle Strategy and with 28 years to retirement, at one year from retirement the level of charges and costs seen over the last year would reduce their projected pot value in today's money from £48,729 to £46,876.
- For a member currently of age 50 invested in the Lifestyle Strategy and with 15 years to retirement, at one year from retirement the level of charges and costs seen over the last year would reduce their projected pot value at retirement in today's money from £37,858 to £37,155.

Notes on illustrations

The information in Appendix 3a is only intended to be illustrative. Members should refer to the Investment Policy Implementation Document (IPID) for more context about the characteristics (as opposed only to cost) of investment options and take independent financial advice as appropriate when making decisions. In particular:

- Illustrated values are not guaranteed and may not prove to be a good indication of how your own savings might grow; and
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

Members should exercise caution before relying on this information for the purposes of making decisions about savings, investment and retirement choices, and take independent financial advice as appropriate when making decisions. Please see the notes in Appendix 3b for the assumptions used in calculating these illustrations.

5 Value for Members

Each year, with the help of our advisers, we carry out an assessment of whether the charges and transaction costs for any default arrangement and other investment options, which are borne in full or in part by members, represent good Value for Members. Value is not simply about low cost – we also consider the quality and scope of provision compared against similar schemes and available external benchmarks.

Approach

We adopted the following approach to assessing Value for Members for the last year:

- Services – considered the investment services as this is where members bear or share the costs;
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;
- Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons;
- Rating – each service was rated on the below basis.

Results for the Year ended 5 April 2021

The Scheme gave Good Value for Members in the year ended 5 April 2021. The rating criteria used in the assessment were:

Rating	Definition
Excellent	The Trustee considers the Scheme offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.
Good	The Trustee considers the Scheme offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.
Average	The Trustee considers the Scheme offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.
Below average	The Trustee considers the Scheme offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.
Poor	The Trustee considers the Scheme offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.

Chairman’s Statement regarding DC Governance for the year ended 5 April 2021 (continued)

The rationale for the rating of the investment services was in outline:

Service and weighting	Rating	Rationale
Investment 100%	Good	• Charges were similar to those of comparable schemes. The charges for the Lifestyle strategy range from 0.12% p.a. to 0.16% p.a. and for the individual funds from 0.11% p.a. to 0.16% p.a. • Transaction costs were similar to those of comparable schemes • The Trustee is satisfied that the investment options are suitable for the Scheme’s membership given its size. • Investment performance was in line with the funds’ objectives over the 1-year, 3-year and 5-year periods to 31 March 2021. • The Statement of Investment Principles was last reviewed on 18 September 2020, when changes were made to account for regulatory changes which came into effect at 1 October 2020. These changes focus on the Trustee’s approach to stewardship, their obligations to monitor portfolio turnover and related costs, and the way they ensure that the managers have suitable policies in place which address conflicts of interest. There is also an increased focus on the way the Trustee monitors their fund managers’ handling of voting rights and Environmental, Social and Governance (“ESG”) issues. • The Scheme’s investment options do not take responsible investment (including climate change) into account.

5 Administration

Hymans Robertson LLP administers the Scheme on our behalf. It should be noted that the service levels (including core financial transactions) cover all aspects administered by Hymans Robertson LLP, including non-DC benefits.

Core financial transactions

It is a legal requirement that we must monitor the Scheme's core financial transactions relating to money purchase benefits during the last Scheme year, which includes the following:

- Switches between investment options within the Scheme; and
- Payments of benefits (including retirements and transfers of funds out of the Scheme).

There were no contributions paid in the last Scheme year because the arrangements have been closed to new contributions since 2013.

Service levels

We have a service level agreement in place with Hymans Robertson LLP, which covers the accuracy and timeliness of all administration work such as:

- Switching investment options;
- Providing quotations of benefits to members who are retiring or leaving the Scheme;
- Payments of benefits;
- Producing annual benefit statements; and
- Responding to ad hoc enquiries from members.

The main service standards are:

Service standard	Processing time
Processing of investment switches, including AVCs	10 working days
Processing of death cases	5 working days
Processing divorce cases	10 working days
Response to members enquiries	7 working days
Provision of retirement pack and quotation of benefits	10 working days
Payments of retirement benefits	5 working days
Provision of transfer value quotation	10 working days
Payment of transfer value	10 working days

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

Hymans Robertson LLP aims to complete 95% of its administration work and core financial transactions within these service levels. For the year to 28 February 2021 Hymans Robertson LLP had completed 95% of all administrative work within the service levels, in line with the agreed level of 95%. Over the previous year to 29 February 2020, Hymans Robertson LLP completed 95% of administration work within Service Level Agreements (SLA).

Please note that the administrator Hymans Robertson LLP provides quarterly administration reports "as at" the quarter ends described below. Similar to previous years we have included information for the year to 28 February due to the timing of these reports.

SLA is reported quarterly to the Trustee. Hymans Robertson LLP provides us with quarterly management reports in which work types associated with the service standards outlined above are itemised. Each work type gets a percentage according to how many tasks of that work type were carried out within agreed service levels, and a total service level estimated as an average service levels have largely been met. The SLAs over the last Scheme year covered by this statement were as follows:

Core financial transactions (average SLA)

- 90% for the quarter 1 March 2020 to 31 May 2020;
- 96% for the quarter 1 June 2020 to 31 August 2020;
- 97% for the quarter 1 September 2020 to 30 November 2020;
- 99% for the quarter 1 December 2020 to 28 February 2021.

Please note that SLAs for core financial transactions include those pertaining to the DC (Money Purchase) Section of the Scheme and the overall DB Scheme.

Overall SLA

- 89% for the quarter 1 March 2020 to 31 May 2020;
- 97% for the quarter 1 June 2020 to 31 August 2020;
- 95% for the quarter 1 September 2020 to 30 November 2020; and
- 97% for the quarter 1 December 2020 to 28 February 2021.

The service level agreements with Hymans Robertson LLP are calculated based on the work completed within a period. Where overall service levels fell below the agreed 95% level:

- For the period ended 31 May 2020, there was a slight dip in core financial transaction service levels and overall SLAs as a result of the team moving to remote working at the beginning of the Covid-19 pandemic. This was a one-off and the service levels returned to agreed target levels and above in subsequent quarters.

Hymans Robertson LLP aims to complete work which falls outside of SLA within 5 working days where possible.

We understand that Hymans Robertson LLP monitors its performance against these service levels by:

- Maintaining compliance with ISO 27001 Certificate;
- Maintaining accreditation with the Pensions Administration Standards Association ("PASA");
- Monitoring daily transactions and daily workflow items;
- Regular internal audits of administration procedures; and
- Reviewing the level, causes and resolution of complaints.

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

Core financial transactions and administration service levels were monitored monthly during the last Scheme year via regular administration calls and quarterly administration reports. This enables us to:

- Consider the reasons for and resolution of any breaches of service standards;
- Arranging reviews of data accuracy;
- Receive reports from the Scheme's Auditors who perform an independent audit of the Scheme's financial statements; and
- Considering member feedback including any complaints. Over the year covered by this Statement Hymans Robertson LLP received 1 complaint which has since been resolved.

Comment on administrative service delivery

Following the administration take on by Hymans, the SLAs including those for retirement and transfer In the first quarter the administrator achieved an SLA of 90%, below the objective of 95%, as the Covid-19 pandemic invariably affected administration of the Scheme. Throughout the Covid-19 pandemic, the administrator arranged for all staff to work from home and dealt with increases in staff absences.

However, Hymans Robertson LLP confirmed there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately. In addition, service levels increased over the subsequent quarters, to and above the agreed level. Therefore, we are satisfied that Hyman's administration processes were appropriate, despite the drop in performance due to extraneous circumstances caused by the Covid-19 pandemic in the first quarter.

- We are also satisfied that the service standards were competitive;
- We compared service levels against agreed targets each quarter as presented in the administration reports; and
- We last conducted a review of the administrator in October 2018 when they were appointed.

Data quality

Each year we review and receive reports from Hymans Robertson LLP to confirm that they have undertaken an audit of the Scheme's common data (which is the key data needed by the Scheme to calculate members' benefits such as dates of birth), to ensure that the records for all members are accurate and up to date.

The last data quality audit was undertaken in March 2021. This showed that common data was present for 98% of membership data as at 31 March 2021 – compared to 98% last year so is unchanged.

Cyber security

We are conscious of the growing threat of cyber-attacks on pension scheme information.

Each year we ask the administrator and investment adviser, Hymans Robertson LLP, and Aegon the investment manager, to confirm that their cyber security arrangements are effective and up to date. We expect that Hymans Robertson LLP and Aegon will report any security breach immediately and ensure that members are notified as soon as possible.

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

Overall

We are satisfied that during the year:

- Core financial transactions were processed accurately, promptly and efficiently;
- There have been no material administration errors in the processing of core financial transactions;
- The wider administration of the Scheme achieved the agreed service standards;
- The Scheme's common data is accurate and up to date; and
- The Scheme's cyber security arrangements are effective.

Security of assets

The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To date there have only been a few instances where members of schemes such as ours have seen their benefits reduced due to financial failure of a provider or fund manager.

We have considered at a high level the risks that anything should happen to the platform provider Aegon as well as the fund manager BlackRock and the AVC providers, which might affect the security of the Scheme's assets and members' benefits. We continue to believe that the legal structures of the providers and funds in place are appropriate and provide a suitable level of security compared to other possible structures available. Assets with the main DC provider Aegon are held in a long-term insurance policy protected by the Financial Services Compensation Scheme (FSCS). In the event of provider default the level of compensation available via the FSCS covers 100% of the assets in the policy.

We monitor the financial position of the provider and fund managers with respect to the security of members' assets on a periodic basis. We receive monthly investment updates from our investment managers along with regular updates and advice from our investment advisor.

7 Trustee knowledge

The Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Section 247 and 248 of the Pensions Act 2004 require that each Trustee Director must:

- Be conversant with the Trust Deed and Rules of the Scheme, the Scheme's Statement of Investment Principles and any other document recording policy for the time being adopted by us relating to the administration of the Scheme generally; and
- Have, to the degree that is appropriate for the purposes of enabling the individual to properly exercise his or her functions as Trustee Director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of matters relevant to the Scheme, including investment, pension and trust law. These measures are discussed further in this section.

Our current practices to maintain and develop our level of knowledge and understanding are as follows:

- Newly appointed Trustee Directors are asked to complete the Pensions Regulator's Trustee Toolkit within six months of becoming a Trustee Director. All newly appointed Trustees are also provided with access to the online Trustee portal used for Board meetings, through which the Trust Deed and Scheme Rules and other key covenant and governance documents are available;
- Trustee Directors have a working knowledge of the Scheme's Trust Deed and Rules (together with any amendments) and all documents setting out our current policies. In addition, when dealing with benefit queries that require legal advice for example, the Scheme's advisers will often set out full rule references for the Trustee Directors to refer to, to ensure they are clear on the interpretation of the Scheme's governing documentation;
- Trustee Directors have a working knowledge of the Scheme's Statement of Investment Principles and the investment documents setting out the Scheme's current policies, and sufficient knowledge of the law and regulations relating to pension schemes and trusts as well as relevant principles relating to the investment and funding of occupational pension schemes;
- Trustee Directors are encouraged to undertake further study and qualifications which support their work as Trustees;
- Have a documented plan in place for ongoing training appropriate to our duties, and periodically review the effectiveness of these practices and training received;
- Carry out regular assessments to confirm and identify any gaps in our knowledge and skills; and
- Trustee Directors also receive quarterly "hot topics" from our DC adviser covering technical and legislative/regulatory changes affecting defined contribution schemes in general.

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

Trustee training

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment advisers raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at the Trustee meetings if they are material.

During the period covered by this Statement, we received training on the following topics:

Date	Topic	Aim/benefit	Trainer
December 2020	Master Trust	Delivery of full-Board training session in preparation for the Master Trust project commencing. The session was intended to enhance the Trustee's knowledge of the Master Trust process. The benefit to members is potential enhancement of value for money by moving to the Master Trust.	CMS Cameron McKenna Nabarro Olswang LLP
March 2021	Trustee liabilities and protections	Delivery of full-Board training refresher on this topic. An increase in the Trustee's understanding of this area benefits members through improved governance.	CMS Cameron McKenna Nabarro Olswang LLP
March 2021	Review of DC managers' RI policies	Full review of DC managers' Responsible Investment policies to enhance the Trustee's understanding in preparation for the Scheme's first Implementation Statement. An increase in the Trustee's understanding of this area benefits members through improved governance.	Hymans Robertson LLP

Trustee compliance

All the Trustee Directors have access to copies of and are familiar with the current governing documentation for the Scheme, including the Trust Deed and Rules (together with any amendments) and Statement of Investment Principles ("SIP"). Any amendments to these documents are reviewed and approved by us. We refer to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments.

All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit. The Trustee Toolkit is a free online learning programme from The Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law. A training log is maintained in line with best practice.

We carry out a periodic evaluation of our knowledge to help to identify training needs. The last evaluation was carried out in June 2021, which involved the completion of the Technical Skills Matrix by all Trustees.

Chairman's Statement regarding DC Governance for the year ended 5 April 2021 (continued)

We also carry out a periodic evaluation of the performance and effectiveness of the Trustee Board as a whole, measured against the objectives in the Scheme's business plan. The last trustee effectiveness review was conducted in November 2018.

We attend regular seminars held by advisory firms and receive training sessions on relevant topics from our investment advisors.

We test our familiarity with the Scheme's documentation, pensions Law/regulations and the Pensions Regulator's DC Code of Practice 13 and supporting Guides by:

- Completing a high-level annual self-assessment against the DC Code.
- With the help of our advisers we review the Statement of Investment Principles at least every three years. The SIP was last updated on 18 September 2020 to reflect updated regulatory requirements.

Additional knowledge

Over the year covered by this Statement we received regular updates from our legal advisers including pension legislation training documents, updates on the Pension Schemes Act 2021 and online materials from the Pensions Regulator. These materials are made available online for us to access. The Scheme's legal counsel CMS Cameron McKenna Nabarro Olswang LLP provides various publications such as Lawcasts covering topical pension issues, Horizon newsletter and TKU publication which give summaries of recent legislative updates, cases and ombudsman decisions and general developments in pensions.

We have appointed suitably qualified and experienced, legal advisers, investment consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

We periodically review the effectiveness and appointment of our advisers. The Competition and Markets Authority's (CMA) 2018 Order states that pension scheme trustees must set strategic objectives for their investment consultants before they enter into a contract or continue to receive their services. We submitted our first compliance statement ahead of the 7 January 2021 deadline. We will continue to review our consultants' objectives and submit the compliance statement annually as required by the regulation.

Taking the matters set out above into account, we are satisfied that during the last Scheme year we have:

- Taken effective steps to maintain and develop our knowledge and understanding; and
- Ensured we have received suitable advice.

We are satisfied that the combination of our knowledge and understanding, together with access to suitable advice, enabled us to properly exercise our duties during period covered by this Statement.

8 Our key actions last year and plans for the next year

During the last year we undertook the following:

- Reviewed and updated the Statement of Investment Principles to reflect the 2019 Regulations on Responsible Investment, which came into force on 1 October 2020;
- Conducted the annual Value for Members assessment of the services for which members bear or share charges and costs;
- Assessed our investment advisers Hymans Robertson LLP against the investment objectives set in 2019 in keeping with the Competition and Markets Authority (CMA) final Order;
- Submitted to the CMA our first statement of compliance with the Order;
- Arranged for the publication of the Scheme's 2020 Chair's Statement, together with the updated Statement of Investment Principles, in a publicly searchable location on the internet with a note of this location in the annual benefit statements; and
- Took steps to introduce reporting from the fund managers on responsible investing and how they vote at shareholder meetings.

In the coming year we intend to:

- Complete our first Implementation Statement describing how we have followed the policies in the Scheme's Statement of Investment Principles over the Scheme year;
- Continue to assess our investment consultants Hymans Robertson LLP against the agreed investment objectives per the CMA Order and submit the annual compliance statement;
- Arrange for the publication of this Chair's Statement in a publicly searchable location on the internet, with a note of this location included in the annual benefit statements;
- Continue to engage with the investment managers on responsible investing;
- Continue to monitor the administration of the Scheme's DC and AVC benefits; and
- Continue to work in conjunction with the Employer to move all DC Section members of the Scheme to a Master Trust arrangement to enhance value for members.

We believe that this work will help you get the best out of your Scheme.

9 Missing information

We have been unable to obtain

- Full charges and transaction cost information on the AVC funds. We have requested the necessary data from the AVC providers and have chased regularly for responses by sending emails to the providers and making phone calls.
- While the various AVC providers are aware of these requests and are working to provide the information as soon as possible, we will continue to request the necessary data regularly. The missing information listed above means that we have not been able to compare the AVC funds' transaction costs against other schemes to gauge value for members.

Chairman’s Statement regarding DC Governance for the year ended 5 April 2021 (continued)

We also note the following limitations:

- At this time, limited data is available on industry-wide comparisons of pension schemes and we have relied heavily on the market knowledge of our advisers; and
- There is limited transaction costs data available to provide industry-wide comparisons.

We understand that these issues currently affect many pension schemes and pension providers. The amount of comparative information available should continue to improve over the next few years.

In addition:

- Performance data to 5 April 2021: The investment manager Aegon provides quarterly investment performance information, and therefore performance data as at Scheme year end was not available. The most recent performance at 31 March 2021 has been used instead.
- Administration SLA to 5 April 2021: The administrator Hymans Robertson LLP provides quarterly administration reports, and the most recent report to the Scheme’s year end is as at 28 February 2021.

Appendix 1
Statement of Investment Principles
For the De La Rue Pension Scheme

1 Introduction

This is the Statement of Investment Principles made by De La Rue Pension Trustee Limited (the "Trustee") in its capacity as Trustee of the De La Rue Pension Scheme ("the Scheme"). This Statement has been written in accordance with the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005.

In preparing this Statement, the Trustee has consulted with the principal employer to the Scheme (De La Rue plc) ("the Employer") and has taken and considered written advice from Hymans Robertson LLP ("the Advisors"). The Trustee believes the Advisors are qualified by their ability and practical experience of financial matters and have appropriate knowledge and experience of the investment arrangements that the Scheme requires. The Trustee believes that these Principles are consistent with those underlying the Myners Code of Conduct for Investment Decision Making.

The Trustee is supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustee expects investment managers to comply with the Code and to produce a statement of their commitment to the Code.

The Trustee will review this Statement, in consultation with the investment consultant and the Principal Employer, at least every three years; and without delay after any significant change in investment policy or the circumstances of the Scheme.

The Scheme's investment arrangements, based on the principles set out in this Statement, are detailed in the Investment Policy Implementation Document (IPID).

1.1 Governance of the Scheme

The ultimate power and obligation for deciding on the strategic investment policy lies solely with the Trustee. The main areas of investment responsibility include:

- Determination of strategic allocation;
- Determination of portfolio structure;
- Selection and appointment of external investment managers; and
- Ongoing monitoring and evaluation of the investment arrangements.

To ensure effective management of investment issues, the Trustee has established an Investment Committee ("IC"). The Terms of Reference for the IC have been set by the Trustee and may be changed by the Trustee from time to time. The IC monitors the Scheme's investment arrangements through regular reports and quarterly meetings.

Appendix 1 (continued)

2 Defined Benefit (DB)

2.1 Primary objective

The Scheme was closed to new members with effect from 1 October 2010 and to future accruals with effect from 31 March 2013.

The primary objective of the Defined Benefit section of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee's overriding funding principles for the Scheme are:

- to ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members; and

- to recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term.

The Trustee's statutory funding objective is that the Scheme should have sufficient and appropriate assets to cover its technical provisions. Further details are provided in the Statement of Funding Principles. The value of liabilities is calculated on the basis agreed by the Trustee and the Scheme Actuary. The funding position is monitored regularly by the Trustee and formally reviewed at each triennial actuarial valuation or more frequently, as required by the Pensions Act 2004.

2.2 Investment objectives and strategy

The Trustee's investment objectives are to invest the assets of the Scheme prudently to ensure that the benefits accrued to members are provided and to target a Funding Level of 100% on the technical provisions valuation basis. The Trustee has translated these investment objectives into a suitable strategic asset allocation and associated benchmarks which are consistent with the Trustee's views on the appropriate balance between seeking a long-term return on investments and accepting greater short-term volatility and risk.

The investment strategy takes due account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners) together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Trustee's view of the covenant of the Employer. The Scheme is now closed to accrual and the Trustee will seek to reduce investment risk over time as the funding level improves.

The Trustee monitors asset allocation and fund performance relative to the agreed benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme. In reviewing strategy, the Trustee will seek written advice as required.

The Trustee is responsible for investing the Scheme's assets in the best interests of members and beneficiaries and it exercises its powers of investment in accordance with the trust deed and rules of the Scheme and applicable law.

The Trustee has delegated all day-to-day investment decisions to authorised investment managers and monitors the performance of Scheme investments relative to agreed criteria on a regular basis.

Full details of the current investment strategy, mandates, and implementation are set out in the IPID.

Appendix 1 (continued)

2.3 Investment strategy

The strategic asset allocation has been translated into benchmarked mandates for the individual managers which are consistent with the Scheme's overall strategy. The strategic asset allocation is consistent with the Trustee's views on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

Choosing investments

The Trustee has appointed five investment managers ("the Managers") to manage the Scheme's assets. The Managers have been appointed under section 36 of the Pensions Act 1995 and are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Trustee, after seeking appropriate investment advice, has given the Managers specific guidelines including, but not limited to, asset allocation and geographic spread, on how investment mandates are to be managed. Subject to their respective benchmarks and guidelines, the Managers are given full discretion over their choice of securities and are expected to maintain diversified portfolios.

The Trustee is satisfied that its Managers have the appropriate knowledge and experience for managing the investments of the Scheme and they carry out their role in accordance with the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005, the principles contained in this SIP, the Trustee's investment policies and any applicable investment guidelines and restrictions agreed with the Trustee.

Amongst other things, the Managers exercise their powers of investment delegated by the Trustee in a manner to ensure the security, quality, liquidity and profitability of the portfolio as a whole; assets are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme; the assets of the Scheme consist predominantly of investments admitted to trading on regulated markets (and any investment outside regulated markets is kept to a prudent level); assets are properly diversified to avoid excessive risk concentration or reliance on a particular asset or issuer; and any investments via derivatives are used to contribute to a reduction of risk, facilitate efficient portfolio managements and are made so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.

The Trustee has appointed each of its investment managers to deliver a specific benchmark or performance target, which overall will align to deliver the broader Scheme investment strategy. The Trustee ensures that all manager engagements have clearly defined benchmarks (or performance targets), objectives and management parameters.

Where appropriate, and where commercial considerations permit, the terms of the mandate and the basis on which the manager is engaged will be defined specifically for the Scheme. Where such tailoring is not directly achievable, the Trustee will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards. Therefore, remuneration is regularly revisited with all managers to ensure alignment of objectives.

Appendix 1 (continued)

The Trustee reviews the nature of Scheme investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity. If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability.

The Trustee recognises the long-term nature of its liability profile and appoints its managers to invest in such a way that generates long term sustainable returns. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The duration of each mandate is determined by the Trustee at the inception of each mandate. For open-ended investments, the Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. For close-ended investments, the Trustee expects the term of the appointment to be the lifetime of the investment.

The Trustee reviews the performance of each of its managers and mandates on a regular basis against a series of metrics, including financial performance against the benchmark or performance target and objectives of the mandate, the exercise of stewardship responsibilities (including engagement with issuers) as set out in greater detail below, and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed which could result in the manager being subject to fee negotiations and/or withdrawal of assets.

The Trustee monitors its managers performance against their respective benchmarks or performance target on a periodic basis.

When assessing the performance of a manager, the Trustee considers (amongst other factors):

- The Manager's financial performance against stated benchmarks and the rest of the market, both in terms of individual performance and their wider role in helping the Scheme meet its long-term objectives.
- How well the manager is aligned with the SIP and the Trustee's investment policies.

Kinds of investments to be held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed-interest and index-linked bonds, cash, property and commodities, either directly or through pooled funds. The Scheme may also invest in derivatives for efficient portfolio management or to hedge specific risks. The Trustee considers all these classes of investment to be suitable in the circumstances of the Scheme.

Balance between different kinds of investments

The strategic asset allocation of the Scheme includes a mix of asset classes across a range of geographic regions to provide diversification of returns. The Scheme’s investment managers will hold a mix of investments within their mandates which reflects their views relative to their respective benchmarks. Within each major market each manager will maintain a diversified portfolio through direct investment or pooled vehicles.

Appendix 1 (continued)

2.4 Risk

The Trustee recognises and monitors the risks involved in the investment of assets of the Scheme. These risks and how they are managed, are as follows.

Funding risks

Risk	Nature of risk	Management of risk
Funding and asset/liability mismatch	Funding level is adversely affected due to a mismatch between the assets and liabilities (Scheme assets fail to grow in line with the developing cost of meeting the liabilities).	The Trustee invests in asset classes which, in aggregate, are expected to produce the level of return required without placing undue reliance on any one source of return. In times of high inflation, the returns on real assets such as equities and index-linked bonds should provide some protection against an increase in liabilities. The Trustee monitors how assets move relative to Scheme liabilities, how the Scheme's actual asset allocation varies relative to the strategic benchmark, and how each manager performs relative to their benchmark.
Changing demographics	Longevity improves, and other demographic factors change, increasing the cost of the Scheme benefits.	The Trustee keeps mortality and other demographic factors under review. These assumptions are considered formally at triennial valuations and the Trustee may enter into insurance contracts (bulk annuities or longevity swaps) to reduce these demographic risks.
Systemic risk	Possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Scheme liabilities. Climate change is a systemic risk with the potential for economic, financial and demographic impacts.	The Trustee seeks to maintain a diversified portfolio, but it is not possible to make provision for all possible eventualities that may arise under this heading.

Appendix 1 (continued)

Asset risks

Risk	Nature of risk	Management of risk
Manager under-performance	Managers fail to achieve the rate of investment return assumed in setting their mandates.	Appropriate diversification across asset classes within sectors and between individual stocks to minimise the effect of one stock or sector performing badly. The use of passive management for asset classes where the downside risk of active management is considered too high. Regular monitoring of manager performance, processes, and capabilities, with respect to their mandate.
Concentration	A significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.	Investing in a well-diversified portfolio of assets.
Liquidity	The Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.	The Trustee invests most of the assets in asset classes which are realisable with sufficient notice to meet Scheme cash flow requirements.
Currency	The currency of Scheme assets underperforms relative to the currency of the liabilities (sterling).	Sub funds in the Scheme's global equities mandate have their overseas exposure hedged back to sterling.
Counterparty risk	A counterparty to a derivative arrangement defaults on its future obligation to the Scheme.	Where derivatives are used it is required that regular collateral or margin payments be made.
Covenant risk	The Employer ceasing to exist or having insufficient resources to meet the agreed recovery plan.	For reasons of prudence, the Trustee has considered this when setting the asset allocation strategy.
Environmental, Social and Governance (ESG)	The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision-making, leading to underperformance relative to expectations.	The Trustee has received training on ESG and will consider whether funds that manage ESG risks could be incorporated into the investment strategy. The Trustee's approach to ESG risk is set out in 2.9 below.
Climate	The extent to which climate change causes material deterioration in asset value due to factors including, but not limited to: policy change, physical impacts, and the expected transition to a low-carbon economy.	The Trustee recognises the risks posed by climate change and monitors developments in this area and its long term financial impacts. The Trustee's approach to climate risk is set out in 2.9 below.
Legislative and regulatory	Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium-to-long term. Regulatory changes can also affect operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter term.	The Trustee receives regular updates on legislative and regulatory changes from the advisers to remain abreast of aspects relevant to its members.

Appendix 1 (continued)

The Trustee does not expect managers to take excess short-term risk and will periodically monitor the manager's performance against the benchmarks and objectives set.

Other: Provider risk

Risk	Nature of risk	Management of risk
Transitions	Incurring unexpected costs or exposure to adverse market movements when transitioning assets among managers or among asset classes.	The Trustee seeks to organise transitions in a structured fashion with the advice of the advisers or, if appropriate, by using a specialist transitions manager.
Credit default	Other counterparty to investments fails to meet its obligations.	The Trustee imposes restrictions on managers through the Investment Management Agreements or Fund Offering Documents.
Custody	Loss of Scheme assets when held in custody or when being traded.	The Trustee has delegated the management of this risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds).

2.5 Expected return on investments

The investment strategy aims to achieve a return on Scheme assets which, with contributions, is sufficient to match growth in the Scheme's liabilities over time. In the long-term the overall investment return is expected to exceed the rate of return assumed by the Actuary in funding the Scheme.

2.6 Realisation of investments

The majority of the Scheme's investments may be realised quickly if required.

2.7 Portfolio Turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustee will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

2.8 Additional Voluntary Contributions (AVCs)

The Trustee gives members the opportunity to invest in a range of vehicles at each member's discretion.

2.9 Responsible Investment – DB Scheme

The Trustee recognises that having a formal Responsible Investment policy will better allow the Trustee to prioritise investment decisions.

Appendix 1 (continued)

Financially material considerations

The Trustee recognises that financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Scheme's investment options. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others. The Trustee will consider such factors in the development and implementation of their investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, they will engage with their investment managers to ensure they take such considerations into account within their decision making.

The Trustee is targeting long-term sustainable investment returns over the expected investment horizon of the Scheme and encourages investment managers to implement views which extend over the duration of the liabilities.

Strategic considerations: The strategic benchmarks have been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

The Trustee acknowledges the risks of climate change but given the inherent uncertainty of its timing and impact, and the relatively short horizon and nature of the Scheme's investments, the Trustee has not made explicit allowance for the risks of climate change in setting the strategic benchmark. However, the Trustee will discuss the importance of climate risk with its adviser and monitor developments in this area.

Structural considerations: Given the discretion delegated to the investment managers, the Trustee expects that the Managers will consider all financially material factors including the potential impact of ESG factors in the implementation of their mandates.

Investment manager selection: In active mandates, the Trustee has delegated responsibility for the consideration of stock-specific issues to the individual investment managers.

In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the manager and that the manager has minimal freedom to take account of factors deemed financially material.

The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and will on a regular basis review the choice of benchmarks to deliver appropriate risk-adjusted returns.

The Trustee is satisfied that the investment managers are following an approach which takes account of all financially material factors.

In selecting new investment managers, where relevant to the investment mandate the Trustee will explicitly consider the potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

Non-financially material considerations

The Trustee does not currently impose restrictions or exclusions on the investments based on non-financially material factors but may consider doing so in the future, while acknowledging the difficulty of such implementation. The Trustee recognises, however, that some members may have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

Appendix 1 (continued)

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.

Voting and engagement

The Trustee's policy is to delegate responsibility for the voting decisions on stocks to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

The investment managers should engage with key stakeholders relating to their investments to consider the management of conflicts of interest and improve corporate behaviours, improve performance, and mitigate financial risks.

The Trustee will review engagement activity undertaken by their investment managers as part of its broader monitoring activity on a periodic basis. Where necessary, investment managers are expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

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

Monitoring

As part of broader monitoring activity, the Trustee will review engagement policies and actions, including voting, undertaken by the Scheme's investment managers.

Appendix 1 (continued)

3 Defined Contribution (DC) Section

3.1 Primary objective

The primary objective of the DC Section is to provide, on a defined contribution basis, benefits for members on their retirement or benefits for their dependents on death before retirement. The Scheme's investment arrangements are designed to help deliver good outcomes for members at retirement. The Scheme was closed to new members from 1 October 2010 and to future contributions from 31 March 2013.

3.2 Investment arrangements

As the Scheme is not a qualifying scheme for auto-enrolment purposes, there is no requirement for a default arrangement. The Trustee encourages active decision-making by members, and members are therefore asked to make an explicit choice regarding the investment of their funds, choosing from a 'Lifestyle strategy' and range of self-select options.

A selection of funds is likely to meet the needs of a wide cross-section of members because:

- Risk-return attitudes will vary among members and will also vary for each member over time, especially as they approach retirement;
- Members have differing investment needs, which change over their working lives; and
- Members may prefer to be closely involved in choosing where their contributions are invested.

Membership analysis

The Trustee completed a review of the investment arrangements on 14 May 2019, considering the Scheme's membership profile (including age, current pot size and projected retirement pot size, years to retirement) and how members currently use their retirement funds. The Trustee believes that these factors are essential to providing investment options which meet the needs of most members.

Costs of investment options

While administrative and governance costs are borne by the Employer, members are responsible for investment management costs. Details of the current member charges are provided in the IPID which accompanies this Statement.

Lifestyle strategy

The 'Lifestyle strategy' invests contributions in a combination of funds according to how far each member is from their selected retirement date. Details of the Lifestyle strategy are provided in the Scheme's IPID.

Self-select funds

The self-select fund range covers a spectrum of investment risk levels and approaches, so that members can tailor their investments closely to their personal needs and risk attitude. Nonetheless, the Trustee recognises that the self-select range cannot be expected to cover the investment needs of all members. The funds available in the Lifestyle strategy are all available individually as self-select options and members can choose to invest in one or more of these funds.

Details of the self-select investment options are provided in the Scheme's IPID.

Risk and return

The expected levels of investment returns (after the deduction of charges) and risks for the funds offered to members are consistent with the Trustee's objectives for these investment options.

Appendix 1 (continued)

3.3 Investment risk

The Trustee recognises that there are risks facing members of the Scheme and has considered these when determining the range of funds to offer to members. As members may have different attitudes to risk, the range of funds provides them with sufficient choice across the risk-return spectrum to allow them to manage the key risks they face within the Scheme.

The main risks faced by members and the Trustee's steps to manage these risks are as follows:

Principal investment risks

Risk	Nature of risk	Management of risk
Inflation	Investments do not keep track with inflation.	• The Scheme offers equity-based investments which are expected to achieve a real rate of return (above both price inflation and earnings growth) in the long term.
Benefit conversion	Market movements in the period just prior to retirement increase the cost of turning members' fund values into benefits.	The Lifestyle strategy switches from equities into bonds and introduces a cash element in the run up to a member's retirement date. Outside of the Lifestyle members can also invest in cash and bond funds which may best reflect their choices at retirement.
Market volatility	The value of assets invested fluctuates.	• The Trustee informs members in the standard literature that they may not get back the amount invested and that this risk is implicit in trying to generate returns above returns to cash.

Appendix 1 (continued)

Other investment risks

Risk	Nature of risk	Management of risk
Pre-retirement downturn	A downturn in equity markets in the period leading up to retirement cause members to lose gains built up over their working life.	• The range fund range includes a bond fund (with lower volatility than equities and a closer link to annuity prices) and a cash fund (offering capital protection). The Lifestyle strategy de-risks members into bonds and cash in the run up to their retirement.
Liquidity	Holding assets that cannot easily be sold should the need arise.	• Offering a range of pooled funds which have daily dealing. The underlying assets are all invested in securities which are highly liquid and marketable.
Concentration	Arises from a lack of diversification within each of the investment options available.	• Offering a range of funds so that members can choose to invest in a well-diversified portfolio. The range enables diversification by asset class, i.e. equity, bonds, and cash and within each asset class.
Interest rate	The value of funds which invest in bonds will be affected by changes in interest rates.	• The Trustee recognises the impact of interest rates movements and communicates this to members as part of standard member communications.
Default (bonds)	The issuing company or government fails to pay the interest due or repay principal.	• The bonds fund invests in UK Gilts which are at low risk of default.
Currency	Exchange rate fluctuations will impact the value of investments outside the UK when they are being bought or sold.	• The Trustee recognises the risk of currency movements but currently only offers unhedged versions of the funds to members.
Active management	The active investment manager will not deliver returns in line with their stated targets.	• The only actively managed fund in the Scheme's investment options is a Cash fund (which is seeking to provide capital protection through active management of the underlying holdings).
Counterparty risk	The financial institutions holding a fund's assets may get into financial difficulties leading to a loss in value.	• The Trustee delegates the appointment and day-to-day management decisions to the fund managers.
Environmental, Social and Governance (ESG)	The extent to which ESG issues are not reflected in asset prices or not considered in investment decision-making, leading to underperformance relative to expectations.	• The Trustee has received training on ESG and will consider whether funds that manage ESG risks could be made available. The Trustee's approach to ESG risk is set out in 3.7 below.

Appendix 1 (continued)

Other investment risks (continued)

Risk	Nature of risk	Management of risk
Climate	The extent to which climate change causes material deterioration in asset value due to factors including, but not limited to: policy change, physical impacts, and the expected transition to a low-carbon economy.	The Trustee recognises the risks posed by climate change and monitors developments in this area and its long-term financial impacts. The Trustee's approach to climate risk is set out in 3.7 below.
Legislative and regulatory	Changes in government policy or taxation may have a long-term positive or negative impact on certain sectors of a country's economy or one country relative to its neighbours over the medium-to-long term. Regulatory changes can also affect operational costs, tax efficiency and security of one investment vehicle relative to other vehicles over the shorter term.	The Trustee receives regular updates on legislative and regulatory changes from the Scheme's advisers to remain abreast of aspects relevant to its members.

Appendix 1 (continued)

3.4 Expected return on investments

The expected returns on the principal asset classes and fund types within the DC section are:

Asset class	Expected long-term return
Equities	Strong return relative to inflation. Most volatile asset class in the short term.
Fixed-interest Government Bonds (UK Gilts)	Positive return, but lower than equities, property or corporate bonds. Current yields being below inflation suggest that the expectation of positive returns over inflation is unlikely to be met. This asset class should nonetheless provide interest-rate duration hedging, with lower volatility than equities, property or corporate bonds.
Cash	Return may not keep pace with inflation, but gives minimal volatility, with high degree (but not complete) of capital security.

3.5 Investment horizon

The Trustee monitors the age profile of the Scheme's membership to arrive at an appropriate investment horizon when considering all investment risks. As a result, investment risks for a majority of members who are approaching retirement, need to be considered over a time horizon of at least 28 years, based on membership data as at 9 July 2020.

3.6 Ability to invest/disinvest promptly

The Trustee recognises that it is important that members' contributions can be invested promptly in selected investment funds, and that these can be sold promptly for example when members wish to change where they are invested, transfer to another arrangement or if they wish to draw on their pension pot. The Trustee manages this risk by selecting pooled investment funds which can be dealt on a daily basis. The platform provider is responsible for monitoring the ability for members to invest and disinvest promptly and is expected to notify the Trustee if a situation develops whereby there is any restriction to the ability for members to do so. For example, this situation could occur in the event of significant economic uncertainty impacting on the ability for fund managers to value the underlying assets.

3.7 Types of funds used

Structure of the investment arrangements

The Scheme invests contributions for members through the provider's investment platform. Contributions buy units in the provider's funds. The provider in turn backs the value of its funds by buying units in funds from a selection of fund managers where investments are pooled with other investors. This enables the Scheme to invest in a range of funds giving a good spread of investments in a cost-effective manner.

The Scheme's assets, and the Trustee's contract with the provider, is the policy of insurance issued by the provider. As a result, the Trustee does not have any contractual arrangement with the investment managers or title to the underlying funds' assets.

Appendix 1 (continued)

Delegation of investment decisions

The Scheme uses funds provided through an investment platform, which in turn invests in funds provided by a selection of fund managers where investments are pooled with other investors. The pooled funds are considered appropriate for tax-exempt approved occupational pension schemes. The Trustee has delegated day-to-day investment decisions including the management of financially material considerations to the provider, who has in turn delegated these investment decisions to the investment managers.

This affords the Scheme a good spread of investments in a cost-effective manner. The charges and costs levied by the platform provider and investment managers can have a material effect on the net return. The Managers are expected to maintain diversified portfolios. Subject to benchmarks and guidelines, the Managers have full discretion in the choice of securities and of asset classes for multi-asset funds.

Selection of funds

The Trustee will invest in funds on the provider's platform which in turn invest in the investment managers' pooled funds. The objectives of the funds and the policies of the investment managers will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

The Trustee's choice of funds, and hence choice of approaches to aspects such as responsible investment and shareholder engagement, are constrained by the choice of funds available on the provider's platform. While the Trustee will endeavour as far as possible to select a platform provider and funds on that provider's platform which are consistent with the Scheme's investment objectives and the Trustee's investment beliefs, this needs to be balanced against the wider benefits of access to the other funds on the platform and the other services from the platform provider as well as taking into consideration the costs of change to the Scheme and its members.

The Trustee will engage with the platform provider to obtain funds which meet the Trustee's investment beliefs, and are expected to improve outcomes for members, but this is subject to being commercially viable for the provider and consistent with the charge cap for the default arrangement[s]. The Trustee expecte the provider to encourage the investment managers to adopt appropriate practices for responsible investment and shareholder engagement.

The Trustee will periodically review the choice of platform provider, at which time the suitability of the provider's fund range and effectiveness of its governance of the investment managers on its platform will be key criteria.

Appendix 1 (continued)

Manager incentives

The basis of remuneration of the investment managers by the platform provider may be subject to commercial confidentiality, however, the Trustee will seek transparency of all costs and charges borne by members. Nevertheless, the Trustee expects that it will be in the interests of both the platform provider and the investment managers on the provider's platform to produce growth in asset values in line with the funds' investment objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.

When selecting funds, the Trustee will ask their investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Scheme's members.

In accordance with the 2015 Regulations, the Trustee conduct an annual Value for Members assessment and will take action should the providers be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the Trustee will periodically review the Scheme's choice of providers to ensure their charges and services remain competitive. The Trustee believes that these steps are the most effective way of incentivising the provider to deliver Value for Members, of which investment management charges and investment performance are key considerations.

The Trustee will also undertake a review at least every three years in which the appropriateness of the investment options at which time the suitability of the Scheme's investment management arrangements are also considered.

Portfolio turnover

The Trustee recognises that the reporting of portfolio turnover for pooled funds is not currently widespread.

The Trustee does not expect investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long terms basis.

For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager except where a fund's total assets under management are relatively small where the investment manager does not fully replicate the index or where a fund invests in less liquid stocks.

When selecting actively managed funds, the Trustee will consider, with the help of their 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 or investment managers on the platform to report on at least an annual basis on the underlying assets held within fund with details of any transactions and turnover costs incurred over the Scheme's reporting year. Where possible the Trustee will compare costs to the comparable portfolio turnover and costs for an appropriate index.

Where a fund has significantly under or outperformed its benchmark, the Trustee will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustee will challenge the platform provider and/or investment managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

Appendix 1 (continued)

Portfolio duration

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' and pensioners investment horizon. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives for the related investment option.

The Trustee expects that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

Security of assets

The funds are provided through a policy of insurance issued to the Trustee by the platform provider. and the value of the funds may be affected in the event of the provider getting into financial difficulties.

The underlying funds used by the provider's platform are accessed through a range of investment structures. In the event of a fund manager getting into financial difficulty, the values in these underlying funds will depend upon the nature of the contract with the platform provider and the fund vehicles used by the fund managers' funds. The Trustee has reviewed the structure of the funds offered to members and is satisfied that this is appropriate against other possible structures available.

Realisation of investments

Funds need to be sold to make payments of benefits and to undertake fund switches in accordance with the Lifestyle strategy or as requested by the member.

The Trustee expects the platform provider to be able to realise funds in reasonable time. The Trustee recognises that the manager may at times need to impose restrictions on the timing of purchases and sale of funds in some market conditions to protect the interests of all investors in a fund.

Balance of investments

The Trustee reviews the nature of the Scheme's investment options on a regular basis, with particular reference to suitability and diversification. The Trustee considers written advice from a suitably qualified person when determining the appropriateness of each investment manager and fund for the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Overall, the Trustee believes that the Scheme's investment options provide a balance of investments and are appropriate for managing the risks typically faced by members.

3.8 Responsible Investment – DC Section of the Scheme

The Trustee recognises that having a formal Responsible Investment policy will better allow the Trustee to prioritise investment decisions.

Appendix 1 (continued)

Financially material considerations

The Trustee recognises that financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Scheme's investment options. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others. The Trustee will consider such factors in the development and implementation of their investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. The Trustee expects that the investment platform provider will engage with their investment managers to ensure they take such considerations into account within their decision making. The Trustee has explicitly acknowledged the relevance of ESG factors including climate change in framing their investment beliefs set out below and the broader implementation of these beliefs.

Strategic considerations: The Trustee acknowledges the risks of climate change, especially given the longer time horizon of the Scheme's DC Section but given the inherent uncertainty of its timing and impact, the Trustee has not, at this stage, made explicit allowance for the risks of climate change in setting the Scheme's investment strategy.

The Trustee has reviewed the Scheme's fund range and will continue over time to consider the suitability of incorporating ESG considerations directly into the investment options. The Trustee will discuss the importance of climate risk with its adviser and will monitor developments in this area with formal updates on at least an annual basis.

Structural considerations: Given the discretion delegated to the platform provider and investment managers, the Trustee expects that the Managers will consider all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

Investment manager selection: With the exception of the Cash fund, all of the scheme's funds are passively managed. In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the manager and that the manager has minimal freedom to take account of factors deemed financially material.

The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and will on a regular basis review the choice of benchmarks to deliver appropriate risk-adjusted returns.

The Trustee is satisfied that the platform provider and investment managers are following an approach which takes account of all financially material factors.

In selecting new investment managers, where relevant to the investment mandate the Trustee will explicitly consider the potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

Non-financially material considerations

The Trustee does not currently impose restrictions or exclusions on the investments based on non-financially material factors but may consider doing so in the future, while acknowledging the difficulty of such implementation. The Trustee recognises, however, that some members may have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

Although members make active investment choices, the Trustee has decided at this stage not to formally survey members' views on non-financial factors relating to the Scheme's investments but will re-visit this over time. The Trustee will consider what, in their reasonable opinion, members' views of non-financial factors are likely to be, given this approach to engagement with members. The Pensions Team will continue to update the Trustee on any feedback from members specifically in relation to ESG issues.

Appendix 1 (continued)

Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the platform provider, and the monitoring of compliance with agreed policies.

Voting and engagement

The Trustee believes that engagement with the companies in which the Scheme invests through pooled investment funds, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Scheme's investments.

The Trustee's policy is to delegate responsibility for the voting decisions on stocks to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

As part of broader monitoring activity, the Trustee will review engagement policies and actions, including voting, undertaken by the Scheme's investment managers.

The investment managers should engage with key stakeholders, which may include corporate management, regulators and governance bodies, relating to their investments to improve corporate behaviours, improve performance, and mitigate financial risks. The platform provider and investment manager should notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement.

Monitoring

The Trustee expects the platform provider to monitor adherence of their investment managers to stated voting and engagement policies, engage with managers where concerns are identified and to report on these issues. The investment manager is required to provide periodic stewardship reporting to the Trustee and where the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation.

Members' financial interests

The Trustee has requested that the platform provider and investment managers have the financial interests of the members as their priority when choosing investments.

Conflicts of interest

When appointing platform providers and choosing investment managers' funds on the provider's platform, the Trustee will seek to establish that the platform provider and each investment manager has an appropriate conflicts of interest policy in place. This includes any provisions to disclose any potential or actual conflict of interest (in writing) to the Trustee.

When given notice the Trustee will consider the impact of any conflicts of interest arising in the management of the funds used by the Scheme.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are investing in new issuance, the Trustee expects the investment manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

Appendix 1 (continued)

The Trustee will consider any conflicts of interest arising in the management of the funds used by the Scheme and has ensured that the platform provider and each investment manager has an appropriate conflicts of interest policy in place. Platform providers and investment managers are required to disclose any potential or actual conflict of interest (in writing) to the Trustee.

This Statement of Investment Principles was completed in August 2020. It will be next reviewed no later than autumn 2022 and without delay after any significant change in investment policy.

Signed on behalf of the Trustee of the Scheme:

Name	Signature	Date
M Roberts	*M Roberts*	*18 September 2020*

Appendix 2

Table of funds and charges

2a Lifestyle strategy and self-select funds

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year used in the lifestyle strategy, self-select options, and AVCs with Aegon are:

Fund	Charges **		ISIN *	Transaction costs	
	% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
Aegon BlackRock 60/40 Global Equity fund	0.16	1.60	GB00B5672365	0.00	0.00
Aegon BlackRock Over 15 Year Gilt fund	0.11	1.10	GB00B4JPXM68	-0.04	-0.40
Aegon BlackRock Cash Fund	0.13	1.30	GB00B3P6VM24	0.01	0.10

* ISIN = the International Securities Identification Number unique to each fund.

** Charges = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE").

Transaction costs arise when the fund manager buys, sells lends or borrows investments. These costs are allowed for within the unit prices of the funds, which means they are not readily visible. In 2017, the Financial Conduct Authority (FCA) published its policy on how fund managers must disclose transactions costs. Due to the way they are calculated, these may be negative, meaning the price of a trade when transacted was lower than when the instruction to make the trade took place.

Appendix 2 (continued)

Table of funds and charges

2b Additional Voluntary Contributions from Legacy Providers

The Scheme held other AVCs with the following providers with the fund charges and transaction costs as shown below:

Fund	ISIN *	Charges **		Transaction costs	
		% p.a. of the amount invested	£ p.a. of the amount invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
Prudential With Profits	Not available	Not applicable	Not applicable	Not available	Not available
Prudential Discretionary	GB0031685745	0.75	7.50	Not available	Not available
Prudential Global Equity	GB0031685968	0.75	7.50	Not available	Not available
Prudential International Equity	GB0031686263	0.75	7.50	Not available	Not available
Prudential Fixed Interest	GB0031685851	0.75	7.50	Not available	Not available
Prudential UK Property	GB0031694143	Not available	Not available	Not available	Not available
Utmost Life unit-linked funds	Not available	0.75	7.50	0.02	0.20
Equitable Life With-Profits Fund	Not available	0.50	5.00	0.00	0.00
Equitable Unit-linked funds	Not available	0.75	7.50	0.00	0.00
Phoenix Life With Profits Fund	Not available	0.50	5.00	0.00	0.00
Aviva With Profits Fund	Not available	0.00	0.00	Not available	Not available

Source: AVC providers

* ISIN = the International Securities Identification Number unique to each fund. ISINs are not quoted for Prudential, Aviva and Phoenix With Profits funds. ISINs are not quoted for the Utmost unit-linked funds which each invest in one or more underlying Open-Ended Investment Company "OEIC" Fund with its own ISIN.
** Charges = fund Annual Management Charge ("AMC").

Transaction costs arise when the fund manager buys, sells lends or borrows investments. These costs are allowed for within the unit prices of the funds, which means they are not readily visible. In 2017, the Financial Conduct Authority (FCA) published its policy on how fund managers must disclose transactions costs. Due to the way they are calculated, these may be negative, meaning the price of a trade when transacted was lower than when the instruction to make the trade took place.

Data availability: Prudential AMCs are to 31 December 2020. Utmost costs and charges are to 31 March 2021 except the Secure Cash fund whereby data is to 31 December 2020.

Appendix 2 (continued)

With Profits

Some member contributions are invested in the Prudential With Profits Cash Accumulation Fund. The charges and transaction costs for With Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. As a result, it is not possible to determine the exact charges and costs borne by members. It should be noted that the implicit charges for the With Profits Fund cover the cost of guarantees and reserving as well as investment management and administration

Appendix 3

Illustrating the impact of charges and costs

3a For the Lifestyle Strategy and self-select funds

The tables will show the potential impact of the costs and charges borne by a typical member in the Money Purchase section of the Scheme, on projected values in today's money at several times up to retirement for a selection of funds and a range of contribution levels.

For a typical member currently of age 37 with an opening fund value of £32,600 and 28 years to retirement:

Years to retirement	Lifestyle Strategy		60/40 Global Equity Fund		Over 15 Year Gilt Fund		Cash Fund	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
1	48,729	46,876	55,070	52,827	21,852	21,453	21,852	21,020
3	49,332	47,551	52,972	50,972	22,509	22,128	22,509	21,715
5	49,260	47,585	50,954	49,181	23,186	22,825	23,186	22,432
10	46,240	44,976	46,240	44,976	24,969	24,664	24,969	24,331
15	41,961	41,130	41,961	41,130	26,889	26,651	26,889	26,391
20	38,079	37,613	38,079	37,613	28,956	28,798	28,956	28,625
25	34,555	34,396	34,555	34,396	31,183	31,119	31,183	31,049
28	32,600	32,600	32,600	32,600	32,600	32,600	32,600	32,600

For a typical member currently of age 50 with an opening fund value of £29,000 and 15 years to retirement:

Years to retirement	Lifestyle Strategy		60/40 Global Equity Fund		Over 15 Year Gilt Fund		Cash Fund	
	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
1	37,858	37,155	42,784	41,872	26,494	26,241	26,494	25,996
3	38,326	37,690	41,154	40,401	27,290	27,067	27,290	26,823
5	38,270	37,717	39,587	38,982	28,111	27,919	28,111	27,710
10	35,924	35,648	35,924	35,648	30,272	30,169	30,272	30,056
15	32,600	32,600	32,600	32,600	32,600	32,600	32,600	32,600

Appendix 3 (continued)

3b Assumptions

No further contributions are paid
The rate of inflation was assumed to be 2.0% p.a.
The rate of increase in costs and charges is 0% p.a.
Opening DC pot size of £29,000 which is the median pot size for all members in the Money Purchase Section as at 5 April 2020
Typical member ages of 37 and 50 are based on the youngest member's age and the median member age respectively as at 5 April 2020
The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used

Investment return assumptions

Fund	Return % p.a.
BlackRock 60/40 Global Equity Index	4.0
BlackRock Over 15 Years Gilt Index	0.5
BlackRock Cash	0.5

The lifestyle strategy uses all three funds according to how far a member is from retirement.

Notes on assumptions

- Assumed rates of future investment returns and inflation may not be borne out in practice;
- Assumptions may differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- Depend upon how far members in the lifestyle and self-select option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

Section 10 - Implementation Statement for the year ended 5 April 2021

Welcome to the Trustee's Statement of how they implemented the policies and practices in the Scheme's Statement of Investment Principles during the year ended 5 April 2021.

This Statement covers both the DB and DC sections of the Scheme. Information regarding each section can be found under the respective subheadings.

Introduction

This is the Trustee's first statement prepared in accordance with the requirements set out in regulations. This Statement sets out how the Trustee has complied with the Scheme's Statement of Investment Principles, during the period from 6 April 2020 to 5 April 2021.

Why do the Scheme's investments matter to me?

The DB Section of the Scheme provides you with benefits on a defined benefit ('DB') basis. This means that the size of the benefits paid to you when you retire will depend on your salary and service.

The DC Section of the Scheme provides you with benefits on a defined contribution ('DC') basis (sometimes called money purchase benefits). This means that the size of the benefits paid to you when you retire will depend on how much the funds where your savings are invested grow over the years.

What is the Statement of Investment Principles ('SIP')?

The SIP sets out the investment principles and practices the Trustee follows when governing the Scheme's investments. It describes the rationale for the Scheme's investments, explains the risks and expected returns of the funds used, including the DC investment options which you can choose, and the Trustee's approach to responsible investing (including climate change).

The last review of the Scheme's SIP was completed in August 2020 and the SIP was signed on behalf of the Trustee of the Scheme on 18 September 2020. The next review will take place no later than autumn 2022, or sooner if significant changes are made to the investment policy. The SIP was reviewed with consideration for regulatory changes which came into effect from 1 October 2020.

Accordingly, the following changes were made to the SIP during the last year:

- How the Trustee takes account of 'financially material considerations' from a strategic, structural and investment manager selection perspective, and the extent to which any non-financial matters are considered. 'Financially material considerations' includes, but is not limited, to Environmental, Social and Governance (ESG) factors. Climate change is an issue singled out for attention;
- The Trustee's consideration for levels of portfolio turnover including the costs of trading within the portfolio;
- The Trustee's approach to stewardship activities for the assets held, including how they engage with investment managers, delegation of voting rights and the monitoring process carried out by the Trustee; and
- Ensure that the Scheme's managers have suitable policies in place which address conflicts of interest.

What is the Statement of Investment Principles ('SIP')? (continued)

If you want to find out more, you can find a copy of the Scheme's SIP and Chair's Statement at www.delaruepensions.co.uk/

The Chair's Statement sets out how the Trustee has managed the Scheme's DC and AVC assets in the last year. It outlines the DC investment options, investment performance, fund costs and charges, and provides a Value for Members summary. In addition, the Chair's Statement states how well the Scheme has been administered in the last year and what the Trustee has done to maintain their level of knowledge.

What is this Implementation Statement for?

To comply with legislation, each year from 2020, the Trustee is required to prepare an Implementation Statement, which sets out how they have complied with the Scheme's SIP during the last year.

Overall, the Trustee is satisfied that:

- **The Scheme's investments have been managed in accordance with the SIP; and**
- **The provisions in the SIP remain suitable for the Scheme's members.**

How the Scheme's investments are governed

The Trustee has overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules, as well as Trust Law, Pensions Law and the Pensions Regulator's guidance. The Scheme provides both defined benefit and defined contribution benefits.

The Trustee has established an investment sub-committee ('IC') which focuses on investment issues and makes recommendations to the whole Trustee Board. The IC monitors the Scheme's investment arrangements through regular reports and quarterly meetings.

The following changes were made to the Trustee Board during the last year:

- K Stirzaker (resigned 15 June 2020)
- K Ryan (appointed 10 December 2020)
- 20-20 Trustees Limited (represented by J Yates, appointed 13 January 2021)
- Ross Trustees (represented by G McKenzie, appointed 15 February 2021)

How the Scheme's investments are governed (continued)

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the fund managers,

The Trustee undertook the following during the last year to ensure that their knowledge of investment matters remains up to date:

Date	Topic	Aim	Trainer
December 2020	**Master Trust**	**Full-Board training session in preparation for the DC Master Trust project commencing. Intended to enhance the Trustee's knowledge of the Master Trust process.**	**CMS Cameron McKenna Nabarro Olswang LLP**
December 2020	**Review of RI policies (DB managers)**	**Full review of DB managers' Responsible Investment policies to enhance the Trustee's understanding in preparation for the Scheme's first Implementation Statement.**	**Hymans Robertson LLP**
February 2021	**New Trustee training**	**To provide the new Trustee Directors with a comprehensive induction and introduction to the Scheme, governance and responsible investment**	**Hymans Robertson LLP**
February 2021	**Trustee training day**	**Introduction for new Trustee Directors and refresher for existing Trustee Directors on the role of the trustee, investment and funding, scheme documentation, disputes and liabilities.**	**CMS Cameron McKenna Nabarro Olswang LLP**
March 2021	**Trustee liabilities and protections**	**Delivery of full-Board training refresher on this topic. An increase in the Trustee's understanding of this area benefits members through improved governance.**	**CMS Cameron McKenna Nabarro Olswang LLP**

How the Scheme's investments are governed (continued)

Date	Topic	Aim	Trainer
March 2021	**GMP equalisation**	**Full-Board refresher training and update to GMP equalisation ahead of the Trustees considering undertaking this project for the DB Scheme.**	**Hymans Robertson LLP** **CMS Cameron McKenna Nabarro Olswang LLP**
March 2021	**Review of RI policies (DC managers)**	**Full review of DC managers' Responsible Investment ("RI") policies to enhance the Trustee's understanding.**	**Hymans Robertson LLP**

The Trustee monitors how well their investment adviser meets the objectives agreed with them, which are designed to align with the Trustee's objectives and investment strategy set out in the SIP.

In December 2019, the investment adviser agreed the following objectives with the Trustee. The Trustee reviewed these objectives during the year and agreed to keep these in place for the next Scheme year.

Investment consultant's objectives – Defined Benefit Scheme

- Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Scheme's investments to progress towards the long-term funding objective;
- Implement a strategy, and amendments to the strategy, that delivers the target returns whilst reducing the value at risk within the Scheme to an acceptable level when it is affordable to do so;
- Facilitate the scope to implement a gradual reduction of investment return and investment risk over the period to 2028 and beyond toward a strategy delivering a suitable return margin over gilts +0.25% p.a.;
- Deliver an investment approach that reflects the Scheme's cashflow position, and likely evolution, and minimises the risk of forced disinvestment;
- Provide advice on cost-efficient implementation of the Trustee's strategy, including but not limited to advice on the use of suitable benchmarks, active or passive management, selection of managers;
- Provide relevant and timely advice;
- Develop Trustee knowledge and understanding of the Scheme's investment strategy, its implementation and investment matters;
- Provide suitable reporting for the Trustee to understand the Scheme's progress towards investment objectives;
- Ensure their advice complies with relevant pensions regulations, legislation and supporting guidance; and
- Ensure the Trustee meets the relevant pensions regulations and legislation relating to investment, including the Scheme's Statement of investment principles and approach to responsible investment.

Implementation Statement (continued)

Investment consultant's objectives – DC Section of DB Scheme

- Deliver an investment approach that maximises long risk-adjusted real returns for members and delivers protection against market at various stages to retirement;
- Provide advice in relation to the self-select range to ensure that it incorporates sufficient choice for members to meet their own needs in terms of investment return, investment risk and retirement choices, reflecting member feedback where relevant;
- Deliver competitive fees within the existing strategy and in relation to implementation of new strategies as required;
- Provide relevant and timely advice, allowing the Trustee to access new investment opportunities as appropriate;
- Develop Trustee's knowledge and understanding of investment matters in relation to Defined Contribution pension arrangements;
- The consultant's services to support the Trustee's ongoing governance shall be proportionate and competitive in terms of costs relative to the consultant's peer group; and
- Ensure the consultant's advice complies with relevant pensions regulations, legislation and supporting guidance.

The Trustee is satisfied that during the last year:

- **The Scheme's governance structure was appropriate;**
- **The Trustee has maintained their understanding of investment matters; and**
- **Their investment advisers met the agreed objectives.**

How the DC investment options are managed

The objectives and rationale for the DC investment arrangements are set out in the Scheme's SIP on pages 10 to 18. Although the Trustee did not carry out a formal review of DC investment arrangements over the year, they review changes in the Scheme's DC membership on a periodic basis as well as fund performance, in conjunction with their investment advisers.

The Trustee is satisfied that the DC investment options remain suitable for most members as there has not been a significant change to the demographic of the membership and they do not have any concerns surrounding the investment options.

The Trustee's investment beliefs

The Trustee has developed a set of investment beliefs which are set out in the SIP which they use as a guide when making investment decisions. The DB beliefs are set out on pages 1 to 9. The DC Section beliefs are set out on pages 10 to 18.

There have been no changes to these beliefs in the last year.

Expected risks and returns

The investment risks relating to DC members' benefits are described in the SIP on pages 11 and 12 and the expected returns from each type of investment used by the Scheme are set out in the SIP on page 13. The DB Scheme investment risks are set out on pages 5 to 7 of the SIP.

- **The Trustee believes that the main investment risks members face described in the SIP have not changed materially over the last year.**
- **The Trustee is satisfied that the current expected rates of investment return for the types of funds described in the SIP are still reasonable relative to the risks that members face.**

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what types of assets and areas of the world the Scheme invests in over the longer-term) for the Scheme's investments. For the DC Section the arrangements include a lifestyle strategy which gradually changes the funds in which your savings are invested as you approach retirement.

The Trustee's views on the long-term mix of investments for the Scheme did not change during the last year.

Platform providers and fund managers

Choice of managers and funds

During the year, the Trustee monitored the Scheme's fund's by:

- Reviewing the performance of each of its managers and mandates on a regular basis against a series of metrics, including financial performance against the benchmark or performance target and objectives of the mandate, the exercise of stewardship responsibilities (including engagement with issuers), and the management of risks;
- Agreeing an approach that where there is material deviation from performance or risk targets is likely to result in the mandate being formally reviewed which could result in the manager being subject to fee negotiations and/or withdrawal of assets;
- Meeting with the managers on a periodic basis;
- Engaging with the investment adviser through regular communications and at quarterly IC meetings.

- **There have been no changes to the DB fund managers during the last year.**
- **There have been no changes to the DC platform provider and funds during the last year.**
- **The Trustee remains satisfied that the platform provider and underlying funds used by the DC remains appropriate.**

The Trustee's views on the long-term mix of investments for the Scheme did not change during the last year.

Ability to invest / disinvest promptly

It is important that member benefits can be invested promptly and can be sold promptly, for example when a member wants to change where they are invested, transfer their pension pot to another scheme or their benefits are due to be paid out when they retire. No delays to investments or liquidity occurred over the year.

The Trustee is satisfied that money can be invested in and taken out of the Scheme's funds without delay as set out in the SIP.

Changes in where funds are invested

The Trustee is working with the fund managers to provide information around the volume of buying and selling of the Scheme's assets as carried out by the funds' managers.

Short-term changes in the level of turnover of the assets in which a fund is invested may be expected when a fund manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover might indicate a shift in the amount of risk the fund manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee.

The Trustee will undertake a review of portfolio turnover costs over the next year.

Security of assets

In addition to the normal investment risks faced investing in the funds used by the Scheme, including members' savings in the DC Section, the security of assets depends upon:

- The financial strength of the investment platform provider/fund managers used by the Scheme;
- The legal structure of the funds the Scheme invests in.

The financial strength of the platform provider and the fund managers has a bearing on the risk of losses to the Scheme's members caused by the remote chance of one of these institutions getting into financial difficulties. The legal structure of the funds used has a bearing on the degree to which the funds' assets are 'ring-fenced' from the rest of the provider's or fund managers' business in the unlikely event that the provider or manager becomes insolvent.

There have been no changes to the structure of the funds used by the Scheme during the last year. The Trustee is not aware of any material changes in the financial strength of the investment platform provider or the fund managers in the last year.

The Trustee is satisfied that during the last year:

- **There have been no changes to the structure of the DC funds used by the Scheme during the last year;**
- **The Scheme's overall DB investment strategy was appropriate;**
- **The Trustee is not aware of any material changes in the financial strength of the fund managers used by the Scheme in the last year.**

Conflicts of interest

As described on page 9 and page 18 of the SIP, the Trustee considers potential conflicts of interest:

- When choosing a platform provider and fund managers;
- When the fund manager is making decisions on where each fund is invested.

The Trustees expect the fund managers to invest the Scheme's assets in the members' best interests and to disclose any potential or actual conflicts of interest in writing.

Over the year, the managers have not disclosed any potential or actual conflicts.

The Trustee believes that there have been no material conflicts of interest during the year which might affect members' benefit expectations.

Manager incentives

As described on page 3 and page 14 of the SIP, the Trustee seeks to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives.

The Trustee will complete a 'cost transparency' exercise over the next year to ensure that the level of trading of the funds' assets carried out by the fund managers has been consistent with the funds' objectives.

The Trustee periodically reviews the fees paid to the managers to ensure alignment of objectives.

Where appropriate the Trustee has negotiated with the managers on their fees but remains satisfied that the managers are suitably incentivised to deliver good outcomes for the Scheme's members.

Responsible Investment

The Trustee believes that responsible investing covers both sustainable investment and effective stewardship of the assets the Scheme invests in.

Although there were no changes made to the Trustee's beliefs and policies relating to responsible investing, during the year, in line with regulations, the Trustee updated the SIP to include more details on their stewardship policy obligations to engage with their investment managers, as well as reviewing and monitoring the Scheme's managers' policies and actions in relation to ESG considerations, including voting and engagement practices.

During the year, the Trustee's approach to responsible investing has not changed.

Implementation Statement (continued)

Sustainable Investment

The Trustee believes that investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (called 'ESG' factors) can have on the value of the Scheme's investments.

The Trustee has considered:

- The length of time DC members' pension pots are invested when choosing and reviewing the funds used in the DC investment options;
- The duration of the DB Scheme's liabilities when choosing and reviewing the funds used in the investment strategy.

The Trustee periodically reviews the fund managers approaches to sustainable investing and receives periodic reports from the fund managers on their stewardship policies including voting and engagement practices. The Trustee, in discussion with the investment adviser, reviewed the DB managers' and the DC fund managers' RI policies at the Q4 2020 IC meeting and the Q1 2021 IC meeting respectively.

No specific actions over the past year have been considered with respect to non-financially material factors in the development and implementation of the Scheme's investment strategy.

The Trustee is satisfied that during the last year the Scheme's investments were invested in accordance with the policies on responsible investing and consideration of financially set out in the SIP.

Investment stewardship

As described in the stewardship policies in the SIP, the Trustee believes it is important that the fund managers as shareholders or bond holders take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on major issues which affect a company's financial performance (and in turn the value of the Scheme's investments).

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers.

The Trustee nevertheless:

- Expects fund managers to vote in a way which enhances the value of the funds in which the Scheme invests;
- Monitors how the fund managers exercise their voting rights.

How do the Trustees monitor this?

The Trustee periodically reviews the platform provider's and fund managers' approaches to stewardship including voting and engagement policies.

The Trustee has requested stewardship reports from the fund managers, on how they have voted at shareholder meetings, including the most significant votes cast, and what topics fund managers have discussed with the companies in which they invest. In addition, the Trustee invests in assets which have no voting rights attached to them.

The next section covers voting and engagement information for the Scheme's managers.

Implementation Statement (continued)

Voting activity – DB managers

The Scheme's equity managers have voting rights. The most significant shareholder votes and how the fund managers voted during the last year are described in the following tables.

Legal and General Investment Management ('LGIM')

The Trustee has investment in equity assets with LGIM in a 100% equities mandate. LGIM has reported on how votes were cast in this mandate as set out in the table below:

LGIM	World Equity Index Fund
Proportion of Scheme assets	10% (£103m) (5 April 2021)
No. of resolutions eligible to vote on during the year	39,613
% of resolutions voted	99.50%
% of resolutions voted against management	17.92%
% of resolutions abstained	0.53%

Source: LGIM

The Trustee has asked LGIM to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. From the manager's reporting, the following votes have been identified as being of greater relevance to the Scheme.

Date	Company	Subject	Vote
7 May 2020	Barclays	Approve Barclays' Commitment in Tackling Climate Change and proposals by ShareAction	The manager voted for the proposals, after significant engagements in this area. The outcome of the vote was successful.

Implementation Statement (continued)

Legal and General Investment Management ('LGIM') (continued)

<table>
<tr><th>Date</th><th>Company</th><th>Subject</th><th>Vote</th></tr>
<tr><td>27 May 2020</td><td>Amazon</td><td>Shareholder proposals 5 to 16

Proposal 5 - Report on Management of Food Waste

Proposal 6 - Report on Customers' Use of its Surveillance and Computer Vision Products or Cloud-Based Services.

Proposal 7 - Report on Potential Human Rights Impacts of Customers' Use of Rekognition (Amazon's software service which provides fast and accurate face search for individuals in photos and videos) regarding threats to privacy/civil rights, use by authoritarian governments, good will and financial risks.

Proposal 8 - Report on Products Promoting Hate Speech and Sales of Offensive Products.

Proposal 9 - Require Independent Board Chairman.

Proposal 10 - Report on Global Median Gender/Racial Pay Gap.

Proposal 11 - Report on Reducing Environmental and Health Harms to Communities of Colour.

Proposal 12 - Report on Viewpoint Discrimination evaluating the range of risks and costs associated with discriminating against different social, political, and religious viewpoints.</td><td>Of the 12 shareholder proposals, the Manager voted to support 10.

The Manager looked into the individual merits of each proposal, and identified two main areas which drove their decision-making:

• Disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and

• Governance structures that benefit long-term shareholders (resolutions 9 and 14).

The Manager voted against proposals 11 and 12.</td></tr>
</table>

Legal and General Investment Management ('LGIM') (continued)

Date	Company	Subject	Vote
		Proposal 13 - Report on Promotion Velocity which assesses the time it takes from the date of hire to promotion, or between one promotion and the next. **Proposal 14** - Reduce Ownership Threshold for Shareholders to Call Special Meeting **Proposal 15** - Human Rights Risk Assessment **Proposal 16** - Report on Lobbying Payments and Policy	
27 May 2020	Exxon Mobil	Elect Director Darren W. Woods	The Manager voted against, reflecting commitments as part of their climate pledge to hold the board to account on climate issues.

Source: LGIM

Implementation Statement (continued)

Baillie Gifford

The Trustee has investment in equity assets through a diversified growth mandate with Baillie Gifford, comprised of 30% listed equities. Baillie Gifford has reported on how votes were cast in this mandate as set out in the table below:

Baillie Gifford	Diversified Growth Fund
Proportion of Scheme assets	5.3% (£55m) (5 April 2021)
No. of meetings eligible to vote at during the year	103
No. of resolutions eligible to vote on during the year	935
% of resolutions voted	95.7%
% of resolutions voted with management**	94.3%
% of resolutions voted against management**	5.1%
% of resolutions abstained**	1.2%
% of meetings with at least one vote against management	16.5%

Source: Baillie Gifford. **Figures may not sum due to rounding.

The resolutions which Baillie Gifford voted against management the most on over the Scheme year were mainly in relation to:

- Executive remuneration.

Implementation Statement (continued)

Baillie Gifford (continued)

The Trustee has asked Baillie Gifford to report on the most significant votes cast within the portfolios they manage on behalf of the Trustees. From the manager's reporting, the following votes against a resolution have been identified as being of greater relevance to the Scheme:

Date	Company	Subject	Vote
2 April 2020	Covivio REIT	Votes against Remuneration Policy and Report	Baillie Gifford opposed five resolutions in relation to a proposed long-term incentive scheme, on the grounds that it could lead to rewarding executive underperformance. This was considered significant in that Baillie Gifford opposed remuneration. The manager called for more robust performance criteria to apply to long-term incentives and aims to continue to engage with the company. The holding represented 0.5% of the total Diversified Growth portfolio.
23 April 2020	Gecina	Votes against Remuneration Policy and Report	Baillie Gifford opposed three resolutions on remuneration, on the grounds that they believe there was insufficient alignment of pay with performance. This was considered significant in that Baillie Gifford opposed remuneration. The manager aims to continue to engage with the company on this matter and exercise their voting rights. The holding represented 0.3% of the total Diversified Growth portfolio.
16 June 2020	Merlin Properties	Vote against Remuneration Report	Baillie Gifford opposed the resolution to approve the remuneration report. This was considered significant in that Baillie Gifford opposed remuneration. The manager has been opposing some remuneration proposals since 2017 and saw significant improvement in the company's remuneration policy in 2020, suggesting positive outcomes from engagement. The manager continues to engage with the company and exercise their voting rights. The holding represented 0.2% of the total Diversified Growth portfolio.

Baillie Gifford (continued)

Date	Company	Subject	Vote
23 February 2021	Ediston Property Investment Company Plc	Vote against Remuneration Policy	Baillie Gifford opposed the resolution to approve the remuneration policy in relation to additional fee proposed for the Senior Independent Director, on the grounds that this would impact his independence and objectivity. This was considered significant in that Baillie Gifford opposed remuneration. The manager continues to engage with the company and exercise their voting rights. The holding represented 5.6% of the total Diversified Growth portfolio.

Source: Baillie Gifford

Engagement activity – DB managers

The rest of the Scheme's manager's invest in non-equity assets which may not come with voting rights. The managers are nonetheless expected to engage with investee companies on ESG issues. The following table summarises the key engagement activity for the 12-month period ending 31 March 2021, which is the most recent date to the Scheme's year end.

Manager: Fund	Approach	Topic(s) engaged on
LGIM: Global Equity	The Trustee has investment in equity assets with LGIM, which come with voting rights. LGIM prioritises engagement candidates by aggregate asset exposure in terms of country, sector and companies, taking the view that companies where they have the largest exposures pose the greatest risks and opportunities to clients' performance.	Key engagements are discussed in 'Voting activity – DB Managers' above.
Baillie Gifford: Diversified Growth Fund	The fund invests in a range of diversified growth asset classes, some of which come with voting rights Baillie Gifford do not regularly engage with clients prior to voting but may reach out where the vote is contentious or if a non-pooled-fund (i.e. segregated) client has specific views on a vote The manager discloses a summary of all voting activity in their quarterly monitoring report	Key engagements are discussed in 'Voting activity – DB Managers' above.

Engagement activity – DB managers (continued)

Manager: Fund	Approach	Topic(s) engaged on
Insight: Corporate Bonds	The fund invests primarily in a portfolio of debt securities, with no voting rights. Insight engages via questionnaires, surveys and calls with senior management of engagement subjects mainly at executive level. Insight also produce annual reports on integration of the RI principles into their investment management process across the business.	Key engagements in relation to corporate bonds are as follows: • Pfizer: Insight engaged to seek clarity on their internal processes for managing product recalls and the extent to which they implemented any learning in future. They also suggested the company disclose more clearly any internal processes for reviews of product recalls and to take a materiality-based approach for setting strategic sustainability objectives. • Ford: Insight engaged when Ford's ESG rating fell to a 5 due to a step up in warranty expenses and hence elevated level of social risk. Further, the car recall rate is significantly higher than the industry average, warranty payments have risen steadily since 2012 and they have a significant product carbon footprint and poor corporate governance. Sector and ESG analysts sought clarity on the steps being taken by Ford to improve product quality, disclosure, governance, and after an underwhelming response from Ford, Insight sold the issuer from buy and maintain portfolios.
Insight: Secured Finance Fund, Liability Driven Investments, and Cash	The funds invest in gilts, corporate bonds, cash instruments, and other fixed income, with no voting rights. Cash instruments exclude tobacco, defence and fossil fuels. 90% of Insight's 1,210 engagements over the year 2020 considered ESG matters in the discussions across every industry sector under management. The main sectors engaged with were financials and consumer (non-cyclical).	Insight promoted engagement on the RPI reform consultation throughout the year. Key engagements in credit markets are ongoing as follows: • Project Lightspeed: Insight engaged with the borrower Iwoca on loan pricing and lending practices to ensure that Iwoca's pricing was brought to appropriate levels which account for the UK government guarantee for small firm loans. • Flexigroup: Insight engaged on collateral and loan servicing risks to ensure appropriate safeguards are in place regarding loan origination and recovery. Within LDI, Insight promotes the industry's incorporation of ESG risks borne by derivatives counterparties into engagements and has developed a scoring system for counterparties. Broad engagements over the year covered climate change, environmental issues, governance, social issues, risk management, strategy, and refinancing over the year.

Engagement activity – DB managers (continued)

Manager: Fund	Approach	Topic(s) engaged on
Alcentra: Multi Asset Credit	The Fund invests in developed market sub-IG corporate credit and voting is not material within the context of its investment's activity. Alcentra can still contribute to a company's strategy via engagement. Alcentra take a leading and active role in engagement with the fund's markets and portfolio companies, to better understand risks, improve disclosures and encourage issuers to act in a sustainable manner. Analysts proactively raise ESG related matters in issuer meetings, within earnings calls and during lenders' presentations. Alcentra also continue to work actively with arranging banks to facilitate company engagement and to make ESG factors a greater feature of their disclosures on any new issue. Before investing Alcentra engage with borrowers on ESG matters, then at least annually as part of their monitoring process. In instances of high exposure to material ESG risks, Alcentra engages more frequently.	Key engagements over the year include: • European manufacturer of Consumer Products: Alcentra engaged to ensure the company were looking after employees' welfare during Covid-19, leading to the implementation of strict office and plant protocols that resulted in no staff members contracting the virus on site in 2020, as well as the payment of a one-off bonus to all staff. • European packaging firm: Acknowledging that the company operates in the plastics industry, Alcentra engaged when they were capital structure refinancing, suggesting that ESG KPIs and ESG ratchet key industry trends should be considered, before welcoming the ESG margin ratchet addition proposed. • European Defence contractor: Alcentra engaged to seek better understanding of the firm's products, concluding that the firm's products (particularly its munitions) are not compliant with Alcentra's ESG exclusions policy and so declined to invest in the firm. Action on climate change: Alcentra adopt a Climate Change Risk assessment focusing on Greenhouse Gas emissions, as well as considering the commitment of the issuer to mitigate exposures to material ESG risks. Alcentra's Climate Change checklist provides investment teams with a consistent approach to rating issuers across sectors and markets. In addition, they produce a distinct Climate Change Risk Rating centred on greenhouse gas (GHG) emissions.

Engagement activity – DB managers (continued)

Manager: Fund	Approach	Topic(s) engaged on
Partners Group: Illiquid Private Debt	The MAC (III) 2016 fund and the MAC (V) 2019 fund invests in private debt and does not currently invest in public equities and therefore has no material exposure to assets which carry any voting rights. There may be some debt holdings which are converted to equity or have equity holdings attributed to them, in which case Partners follow their Proxy Voting directive. Partners Group engages via regular calls with investee company management. Partners Group implements a Climate Change Strategy to manage their portfolios towards the Paris Agreement climate goals and in alignment with TCFD disclosure recommendations and has a key focus on renewable energy and carbon avoidance strategies in their portfolios.	Partners Group engaged with its investee companies across issues such as financial performance, Covid-19, loan re-pricing, restructuring and industry exits. The manager sought to place intervention measures in place to assess the impact of Covid-19 on business, use of government schemes, and post-pandemic action. Key engagements over the year for the MAC (III) fund include: • Cote Bistro: In July 2020 Partners Group (PG) entered restructuring negotiations with owner BC Partners. In August 2020 BC Partners agreed to transfer ownership in Côte Brasseries to Partners Group in return for new liquidity. • DBI Services: In March 2019 PG took an active Board and Ownership role following the comprehensive debt restructuring, leading to significant operational and financial improvements. • JLA: Early intervention during the pandemic to assess impact on business and the use of government schemes, leading to revised budgets and cash flow reforecast. • Laser Clinics Australia: Early engagement during the pandemic with monthly calls with the CEO and CFO on company performance and allowing the company to pay-in-kind one quarter's interest (instead of paying cash) to reserve cash, leading to strong company performance post Covid-19 and no covenant breach.

Engagement activity – DB managers (continued)

Manager: Fund	Approach	Topic(s) engaged on
Partners Group: Illiquid Private Debt		Key engagements over the year for the MAC (V) fund include: • TEG Pty Ltd: Early engagement was implemented during the Covid-19 pandemic with quarterly lender calls and specific updates on the impact of Covid-19; ensuring the company had sufficient liquidity and gaining an understanding of cost-cutting measures adopted. • Novotech Holdings Pty Ltd: Provided incremental debt financing as part of a recapitalization exercise, investing AUD 53.5m. • Gong Cha: Early engagement was implemented during the Covid-19 pandemic with monthly update calls with the CFO and management to discuss performance and operations. Action on climate change: Partners Group includes sustainability projects in its carbon offsetting portfolio, notably the Darkwoods Forest Conservation in Canada, which is a key location for extensive biodiversity.

Source: Investment managers

Voting and engagement – DC managers

BlackRock

BlackRock who are the DC Section's only equity manager, publishes quarterly examples of engagement activity they have undertaken over the year to date.

- BlackRock is also the DC Section's bonds (UK gilts) and cash manager – these do not come with voting rights and the scope for engagement is limited due to the nature of these investments.

In voting shares, BlackRock prioritise themes they believe will encourage sound governance and deliver sustainable long-term financial performance. Significant votes and decision-making around this are described in regular "vote bulletins" published after the shareholder meeting. BlackRock would consider it significant where the vote is against management, and/or involves issues likely to be high-profile and of interest to clients and other stakeholders and potentially represent a material risk to the investment undertaken on the client's behalf.

The most significant shareholder votes as taken from the BlackRock quarterly bulletins were:

Date	Company	Subject	Vote
3 April 2020	Santos Ltd	Special resolution to amend the company constitution: The shareholders requested that the company amend the constitution so that shareholders in a general meeting may by ordinary resolution express an opinion or make a request related to an issue of material relevance to the company's business. Shareholders request the Board disclose, in annual reporting from 2021: Short, medium and long term targets for reductions in the company's Scope1, Scope2 andScope3 emissions (Targets) that are aligned with articles 2.1(a) and 4.1of the Paris Agreement (Paris Goals). Shareholders request the Board disclose, in annual reporting from 2021: Details of how the company's exploration and capital expenditure, including each material investment in the acquisition or development of oil and gas reserves, is aligned with the Paris Agreement (Paris Goals).	The BlackRock Investment Stewardship Group voted against these proposals and suggested that future climate change proposals be structured to provide shareholders with the opportunity to vote on each class of emissions separately (i.e. a separate line item for Scope 3).

Voting and engagement – DC managers (continued)

BlackRock (continued)

Date	Company	Subject	Vote
23 April 2020	Fortum	Fortum recently acquired a majority stake in Uniper, increasing its stake in the company from 49.9% to 70%. Upon closing of the complete agreement, the transaction will substantially increase the company's exposure to coal-fired power generation due to Uniper's portfolio. More than 30% of the combined capacity is expected to be based on coal. Consequently, this transaction will significantly increase the company's carbon intensity. Due to these concerns, the World Wildlife Fund (WWF) Finland submitted a climate risk shareholder proposal for voting consideration at Fortum's 2020 annual meeting, asking the company to "Include Paris Agreement 1.5-degree Celsius Target in Articles of Association"	The BlackRock Investment Stewardship Group voted against this proposal as it is at odds with the direction of travel in the industry and the goals of the Paris Agreement.
27 May 2020	Facebook	Shareholder votes to decide whether to elect as director Marc L. Andreessen. As well as a Shareholder Proposal to approve a recapitalisation plan for all stock to have one vote per share. The proposal asked that Facebook's "Board take all practicable steps in its control to initiate and adopt a recapitalisation plan for all outstanding stock to have one vote per share. We recommend that this be done through a phase-out process in which the board would, within seven years or other timeframe justified by the board, establish fair and appropriate mechanisms through which disproportionate rights of Class B shareholders could be eliminated. This is not intended to unnecessarily limit our Board's judgment in crafting the requested change in accordance with applicable laws and existing contracts."	The BlackRock Investment Stewardship Group voted against Mr. Andreessen as he serves on the Audit Committee and they do not consider him independent. They voted for the shareholder proposal asking for a recapitalisation plan as we generally support one share one vote capital structures.

Voting and engagement – DC managers (continued)

BlackRock (continued)

Date	Company	Subject	Vote
27 May 2020	Amazon	During their recent engagement, in addition to discussing human capital management, BlackRock discussed the topics raised in the shareholder proposals to be voted on at the annual meeting and the company's oversight and management of those issues that are relevant to their business model. This included the company's plans to improve its disclosure on food waste and food diversion management and its efforts to monitor the use of certain technologies and enforce compliance with its product policies. Amazon has demonstrated a commitment to adopting best practices in corporate governance (e.g. 90% board independence, 50% board gender diversity, and balanced board tenure).	After thorough review of the company's existing disclosures, along with insights gained from multiple engagements, BlackRock determined that Amazon is actively addressing those material issues raised by the various shareholder proposals. Some of the proposals were too prescriptive in their request for additional information, such as requesting an alternative report on gender/racial pay in addition to the one the company already publishes. The Stewardship Group voted against the shareholder proposal.

Source: BlackRock

Voting and engagement – DC managers (continued)

BlackRock (continued)

Proxy voting

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

The DC Section's investment manager BlackRock has made use of the services of ISS and Glass Lewis as the proxy voting advisors. There are many inputs into the voting process and the use of proxy advisors is just one component. BlackRock's policy on stewardship and engagement has been reviewed as part of the production of this document and can be found here.

The Trustee is satisfied that the fund managers' voting record on the companies in which their funds invest was aligned with the stewardship policy described in the SIP.

Implementation Statement (continued)

Trustee engagement activity

The Trustee's own engagement activity is focused on its dialogue with the investment managers which is undertaken in conjunction with the investment adviser. The Trustee meets regularly with the managers and the Trustee considers managers' exercise of their stewardship both during these meetings and through reporting provided by the investment adviser.

The Trustee holds meetings with their investment managers on a regular basis where stewardship issues are discussed in further detail. Over the year, the Trustee met with 2 of their 5 DB managers and the table below sets out the topics discussed at these meetings.

Date	Manager	Subjects discussed	Outcome
3 December 2020	LGIM	• LGIM team and business update • Portfolio performance, fund breakdown and market outlook • Stewardship	The manager's presentation featured an in-depth stewardship session which provided context to LGIM's stewardship policies
5 March 2021	Alcentra	• Alcentra team and business update • Portfolio performance, fund breakdown and credit market outlook • Issues faced during Covid-19 • How RI and ESG factors are incorporated in the decision-making process	The Trustee acknowledged the subjects discussed by Alcentra with consideration for recent changes within the multi-asset team

Communication and member engagement

The Trustee's approach to communicating the Scheme's investment options and investment governance to members has not changed during the last year.

During the year, the Trustee has published the most recent SIP and Chair's Statement on a publicly searchable location online.

- The SIP has an accompanying Investment Policy Implementation Document ('IPID') which details the DB Scheme's investment strategy. The IPID is available on request.
- The Chair's Statement details the DC Section's investment options. The Chair's Statement invites feedback from members through the Scheme's administrators.

Limitations and missing information

During the last year the Trustee followed all the policies and practices described in the SIP.

More information

We hope this Statement helps you understand how the Scheme's DB and DC investments have been managed over the year.

If you want more information on how the Scheme is run, please visit: https://delaruepensions.co.uk/