

Registered number: 12007216

**BRIDON GROUP (2013) PENSION SCHEME
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

BRIDON GROUP (2013) PENSION SCHEME

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TRUSTEE AND ITS ADVISERS YEAR ENDED 31 DECEMBER 2020

| | |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Trustee | Bridon Scheme Trustees Limited |
| Company-Appointed Directors | Capital Cranfield Pension Trustees Limited, represented by S Anyan G Cook |
| Member-Nominated Directors | C Finlay (appointed 14 May 2021) G Dallard G Peters |
| Principal Employer | Bridon International Limited |
| Secretary to the Trustee | I Emery Aon Solutions UK Limited (formerly Aon Hewitt Limited) |
| Actuary | A Shah, FIA Aon Solutions UK Limited (formerly Aon Hewitt Limited) |
| Administrator | Aon Solutions UK Limited (formerly Aon Hewitt Limited) |
| Independent Auditor | Ernst & Young LLP |
| Banker | Bank of Scotland plc |
| Investment Adviser | Aon Solutions UK Limited (formerly Aon Hewitt Limited) |
| Investment Manager | Aon Investments Limited (formerly Hewitt Risk Management Services Limited) ('AIL') |
| AVC Providers | Aviva UK Limited ('Aviva') Utmost Life and Pensions Limited ('Utmost') (disinvested on 17 August 2020) |
| Fiduciary Manager | Aon Investments Limited (formerly Hewitt Risk Management Services Limited) ('AIL') |
| Legal Adviser | Squire Patton Boggs (UK) LLP Gunnercooke LLP (appointed 18 March 2021) |
| Contact Details | Bridon Group (2013) Pension Scheme Aon Solutions UK Limited Colmore Gate 2 Colmore Row Birmingham B3 2QD bridonpensions@aon.com 0345 268 8476 |

BRIDON GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2020

Introduction

The Trustee of Bridon Group (2013) Pension Scheme (the 'Scheme') is pleased to present the annual report together with the audited financial statements for the year ended 31 December 2020.

Constitution and management

The Scheme is a Defined Benefit ('DB') scheme. The Scheme is governed by a Trust Deed, as amended from time to time, and is administered by Aon Solutions UK Limited in accordance with the establishing document and Rules solely for the benefit of its members and other beneficiaries.

The Scheme came into existence during 2013 following the demerger of the FKI Group Pension Scheme. The Definitive Deed was signed on 4 April 2013. A Deed of Amendment was subsequently signed on 27 June 2013 following agreement to the demerger. Some deferred members of the FKI Group Pension Scheme were transferred to the Bridon Group (2013) Pension Scheme. The Scheme is closed to new entrants.

The Trustee is shown on page 1.

Under the Trust Deed and Rules of the Scheme, Trustee is appointed and removed by the Principal Employer, Bridon International Limited.

Under the Trust Deed and Rules of the Scheme, Trustee Directors are appointed and may be removed by the Principal Employer, Bridon International Limited.

In accordance with the Pensions Act 2004, at least one third of the total number of Trustee Directors must be nominated by Scheme members. The Member-Nominated Trustee Directors ('MNTDs') are elected from the membership.

The Trustee Board is comprised of five Directors, two Company-Appointed Directors and three Member-Nominated Directors.

A Trustee Director can choose to retire from office at any time. A Member-Nominated Trustee Director can only be removed with the agreement of all other Trustee Directors. Company-Appointed Trustee Directors are removed by the Principal Employer.

The Trustee Directors have appointed professional advisers and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on page 1. The Trustee Directors have written agreements in place with each of them.

Trustee meetings

The Trustee Board met formally eleven times during the year to consider the business of the Scheme.

Scheme changes

There were no significant changes to the Scheme in the year.

Financial statements

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

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Guarantee

A parent company guarantee was put in place with NV Bekaert SA and came into force on 28 February 2020. As a result, the previous guarantee from Bridon Limited was released. In the event of the failure of Bridon International, certain obligations would pass to NV Bekaert SA unless the Scheme was sufficiently well funded. The Trustee received actuarial, covenant and legal advice and believe that the Scheme now benefits from a much stronger guarantee.

Membership

Details of the membership changes of the Scheme in the year are as follows:

| | Deferreds | Pensioners | Total |
|----------------------------------|------------|------------|------------|
| Members at the start of the year | 219 | 109 | 328 |
| Adjustments to members | (2) | 3 | 1 |
| New spouse | - | 1 | 1 |
| Retirements | (9) | 9 | - |
| Deaths | - | (3) | (3) |
| Transfers out | (11) | - | (11) |
| Members at the end of the year | <u>197</u> | <u>119</u> | <u>316</u> |

Pensioners include 10 (2019: 8) adult dependants receiving a pension upon the death of a member of the Scheme. The membership summary shows only one new spouse dependant, the other spouse dependant was a required additional adjustment to start figures. Pensioners also include Nil (2019: Nil) child dependants in receipt of a pension.

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

The adjustments to members shown above are the result of retrospective updating of member records.

Pension increases

Pensions in payment in excess of the Guaranteed Minimum Pension ('GMP') were increased on 1 May 2020 by 3.0% for pensions earned prior to 6 April 1997 and for pensions earned after 6 April 1997 either 3.0% or 2.5% in accordance with Scheme Rules. Post 88 GMP's were increased at 3.0%, Pre-88 GMP's were not increased in accordance with the Scheme Rules and statutory requirements.

There were no discretionary pension increases in the year.

Deferred benefits are increased in line with legislation and the Scheme Rules.

Transfers

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary increases.

Transfers into the Scheme are not allowed.

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Contributions

Contributions were paid in accordance with the Schedules of Contributions certified by the Scheme Actuary on 20 December 2017 and 17 June 2020.

Employer contributions (20 December 2017)

In respect of shortfall in funding, in accordance with the Recovery Plan dated 20 December 2017 the Employer will pay contributions of:

- £158,333 per month from 1 January 2017 to 31 December 2017 (12 months);
- Nil from 1 January 2018 to 31 December 2018 (12 months);
- £62,500 per month from 1 January 2019 to 31 August 2021 (2 years 8months); and
- Nil thereafter.

Prior to 31 December 2017 the expenses (including the Pension Protection Fund Levy) are met directly by the Employer with the Scheme reimbursing Employer.

From 1 January 2018 the expenses of administering the Scheme (excluding the Pension Protection Fund Levy) are met directly by the Employer with any expenses above £0.33M p.a. (excluding VAT) being reimbursed by the Scheme to the Employer.

From 1 January 2018, the Pension Protection Fund Levy is met by the Employer.

Employer contributions (17 June 2020)

The Trustee and Employer have agreed that no deficit reduction contributions will be paid to the Scheme. This is because the Scheme was in surplus on the technical provision basis as at 31 December 2019 and no additional contributions are required.

The expenses of administering the Scheme (excluding the Pension Protection Fund Levy) are met directly by the Employer with any expenses above £0.33M p.a. (excluding VAT) being reimbursed by the Scheme to the Employer.

The Pension Protection Fund Levy will be met directly by the Employer.

Investment management charges are excluded from Scheme expenses as these are deducted from the assets directly.

BRIDON GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2020

Going concern and Covid-19

The Trustee Directors review employer covenant at each Trustee meeting and maintain dialogue with senior representatives of the parent company.

Recent updates have shown that the business has weathered the pandemic well and has seen limited disruption due to Brexit.

The Scheme ended 2020 in a better funding position than at the start of the year, despite the market turmoil caused by the pandemic. The latest estimates show that the funding level as at 12 February 2021 was around 110% on the technical provisions basis.

The Scheme now holds about half of its assets in matching assets with interest and inflation exposures fully hedged. In addition, the Scheme holds around 20% of its assets in diversifying assets that are designed to provide further protection against market volatility.

Reliance on employer covenant is somewhat limited given the strong funding position of the Scheme and low risk investment strategy. However, in addition to recourse to the statutory employer in the UK, the Trustee Directors have also negotiated a parent company guarantee, in a PPF compliant format, for an amount that is intended to cover the solvency deficit.

Taking all these factors into consideration, in particular the improved funding position of the Scheme, the low risk investment strategy and the favourable covenant position, the Trustee Directors consider that the Scheme remains a going concern for the foreseeable future.

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Report on Actuarial Liabilities

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

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. 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 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: £83.3 million

The value of the assets at that date was: £90.0 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

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

Significant actuarial assumptions

Discount interest rate: term dependent rates set by reference to the UK government fixed interest gilt yield curve at the valuation date plus an addition of 0.75% p.a.

Future Retail Price inflation ('RPI'): term dependent rates derived from the difference in market yields on fixed interest and index-linked gilts at the valuation date.

Future Consumer Price inflation ('CPI'): RPI inflation curve with a deduction equal to Aon's prevailing best estimate of the difference between RPI and CPI inflation. As at 31 December 2019 this difference was 1.0% p.a.

Pension increases: derived from the RPI or CPI price inflation as appropriate, allowing for the maximum and minimum annual increases, and for inflation to vary from year to year.

Mortality: for the period in retirement standard tables S3PMA "Heavy" for males and "Middle" for females with a scaling factor of 99% (for members) and 112% (for future dependents) and an allowance for improvements in mortality in line with the CMI 2018 core projections with parameters $Sk=7.0$ and $A=0.5\%$, subject to a long-term rate of improvement of 1.5% p.a.

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TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2020

Investment matters

Management and custody of investments

As required by Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles ('SIP'). A copy of the SIP can be found on the Scheme's website at <https://www.bridonpensions.co.uk/investment/> and is available on request from the Secretary to the Trustee.

The Trustee has delegated management of investments to the investment manager shown on page 1. This manager, who is regulated by the Financial Conduct Authority in the United Kingdom, manages the investments in line with the investment manager agreement which is designed to ensure that the objectives and policies captured in the SIP are followed.

The Trustee has considered environmental, social and governance ('ESG') factors for investments (including but not limited to climate change) and has delegated to the investment manager the responsibility for taking these considerations into account when assessing the financial potential and suitability of an investment and for exercising the rights (including voting rights) relating to the Scheme's investments.

The investment manager is paid fees for its services. The fees are calculated as a percentage of the market value of the part of the Scheme that it manages.

The Trustee has not appointed a custodian to the Scheme as the investment manager appoints a custodian for the assets underlying the investments it manages for the Trustee. The Custodian appointed by the investment manager is shown below:

| Manager | Custodian |
|------------------------|--------------------------------------|
| Aon Investment Limited | BNY Mellon Company (Ireland) Limited |

The Custodian is responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the Custodian's nominee company, in line with common practice for pension scheme investments.

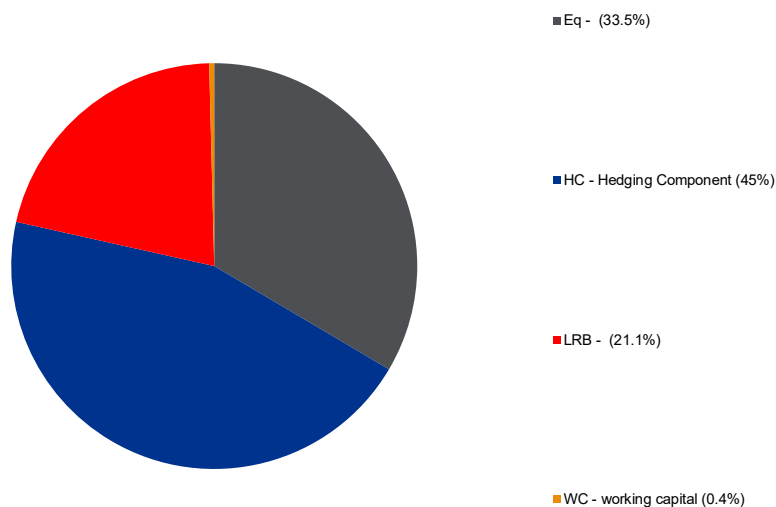
The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and believes them to be appropriate relative to the reasons for holding each class of investments.

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Investment report

Asset allocation as at 31 December 2020



Source: Aon Hewitt. Figures may be subject to rounding.

Performance returns to 31 December 2020

| | One Year | Since Inception (p.a.) |
|----------------------------------|----------------------------------------------------------------------------------------|------------------------|
| Asset Return (%): | +15.3 | +13.5 |
| Liability Benchmark Return (%): | +13.8 | +11.9 |
| Relative (%): | +1.5 | +1.6 |
| Investment Objective: | To outperform the Liability Benchmark* by 1% per annum over rolling three year periods | |
| Investment Objective Return (%): | +15.0 | +13.3 |
| Relative (%): | +0.2 | +0.3 |

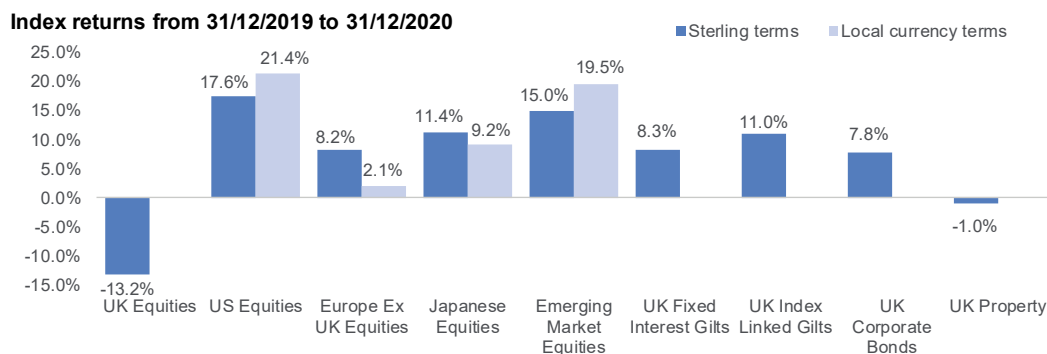
Source: Aon Hewitt / Bank of New York Mellon. Returns are in GBP and quoted net of fees. Scheme returns are based on an inception date of 30 April 2019. Figures may be subject to rounding.

**TRUSTEE'S REPORT
YEAR ENDED 31 DECEMBER 2020**

Investment report (continued)

Market background: 12 months to December 2020

Index returns



Source: FacSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Corporate Bonds)

General background

The global pandemic over 2020 resulted in the shutdown of economies and caused severe disruption in global markets. The initial lockdowns drove developed economies into a deep recession over the first half of 2020. Whilst the relaxation of lockdown measures resulted in a sharp economic rebound over Q3, a second wave outbreak amidst the onset of winter dampened economic activities over Q4. Despite the havoc caused by the outbreak of the coronavirus over the year, the MSCI AC World Index rose by 14.2% in local currency terms over the past twelve months and returned 12.7% in sterling terms. Global equities rebounded sharply on the back of huge fiscal and monetary stimulus, which led to investor willingness to overlook the worst economic recession in generations.

Global equities suffered its worst quarter since the 2008 Global Financial Crisis over the first quarter, returning -20.0% in local currency terms due to the virus outbreak. However, global risk markets rebounded strongly over the next three quarters of 2020 with the MSCI AC World Index increasing by 42.7% in local currency terms and 34.1% in sterling terms.

Global equities were further boosted in Q4 by optimism over Covid-19 vaccine roll-outs despite surging Covid-19 cases and deaths. Heightened political uncertainty around November's presidential election was a drag on risk sentiment, but increased expectations of expanded fiscal spending following Joe Biden's victory boosted markets. Meanwhile, fears of a chaotic end to the Brexit transition period faded after the eventual confirmation of a trade deal between the UK and the EU towards the end of December.

US equities posted the strongest return over the year helped by their high exposure to large technology companies. On a global sector level, Information Technology (43.5%) and Consumer Discretionary (34.6%) were the best performers in local currency terms. These sectors were bolstered by coronavirus-driven lockdowns. Energy (-28.8%) was the worst-performing sector as the oil price fell, followed by Real Estate (-7.8%) and Financials (-5.6%). Both the Energy and Financial sectors recouped some of their earlier losses in Q4 2020.

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Investment report (continued)

The US Federal Reserve (Fed) announced two emergency rate cuts in Q1 2020 in response to the severe economic impacts of Covid-19, lowering the Fed Funds Rate target to 0.00%-0.25%. The Fed also relaunched its quantitative easing programme, pledging to buy potentially unlimited amounts of treasuries, corporate bonds and other credit assets. In Q2 2020, the Fed also began buying individual corporate bonds directly from the secondary market for the first time. The Fed announced a major policy shift in Q3 2020 by adopting an "average inflation targeting" approach which implies a higher tolerance towards inflation before tightening monetary policy in order to make up for below-target inflation in recent years. In Q4 2020, the Fed announced that it will continue to buy \$120bn of debt per month until "substantial further progress has been made" towards its employment and inflation targets.

Following the Fed's lead, the Bank of England (BoE) cut its base rate by 65bps to an all-time low of 0.10% in Q1 2020. In Q3 2020, the BoE reported in its meeting minutes that it is examining how negative interest rates could be implemented effectively should this be required. However, deputy governor Dave Ramsden later suggested that the current base rate represented the "effective lower bound" for interest rates.

Meanwhile, the European Central Bank (ECB) kept interest rates unchanged in Q1 2020. The ECB introduced a Pandemic Emergency Purchase Programme worth €1.85tn which will continue until March 2022. In late 2020, the European Union (EU) also passed the bloc's €1.8tn budget and recovery package.

After years of negotiations, the UK and the European Union (EU) reached a historic Brexit trade deal. The deal was reached after issues including EU fishing rights in UK waters and fair competition rules were agreed. The deal allows most goods to be traded between the UK and the EU without tariffs or quotas. Meanwhile, EU fishing rights in UK waters will be reduced by one-quarter over a five and a half-year transition period, after which access will depend on annual negotiations. Spain and the UK also agreed to keep the land border between the British overseas territory of Gibraltar and Spain open.

Sterling ended the twelve-month period 2% lower on a trade-weighted basis. Sterling depreciated in the first two quarters of 2020 due to the deteriorating UK coronavirus situation, Brexit uncertainty and a poor economic outlook. However, in Q3 2020, the sterling exchange rate against the US dollar appreciated, benefiting from a weak US dollar. Sterling continued to more broadly appreciate in Q4 2020 in the anticipation that a deal would be reached. Continued improvement in global risk sentiment due to the discovery and approval of multiple Covid-19 vaccines also supported the pound.

Brent crude oil prices fell by 21.5% over the last twelve months to \$52/BBL. Over Q1 2020, oil prices fell by 65.5% in USD terms as demand for fuel fell due to weaker demand as a result of Covid-19 and a glut in supply amidst a price war between Russia and Saudi Arabia. However, oil prices recovered in Q2 2020, rising by 81.0% supported by record-setting production cuts by OPEC+ and the easing of lockdown measures in major economies. Optimism over vaccines approval and the start of vaccinations supported oil prices later in the year too, even though OPEC and Russia agreed to increase oil production by 500,000 barrels per day from January 2021. OPEC also cut its forecast for 2021 growth in oil demand citing continued virus uncertainty and weak labour markets.

UK gilt yields fell in tandem with global government bond yields in the first half of 2020 as monetary easing measures by major central banks took developed economy interest rates to near zero. Increased demand for government bonds from investors seeking "safe haven" assets amidst the equity market sell-off and uncertain economic outlook kept further downward pressure on yields. However, later in Q3, UK gilt yields started to edge up across maturities as global risk sentiment improved on the back of optimism over a vaccine solution to the virus and better economic data. Global inflation expectations rose particularly in the US on the back of liquidity expansion, growth optimism and the shift in Fed strategy. However, upward pressure in bond yields was countered in the UK as Brexit uncertainty and new lockdowns drove increased expectations of a BOE rate cut to negative levels. According to FTSE All-Stocks indices, UK fixed-interest gilts returned 8.3% whilst index-linked gilts returned 11.0% over the last twelve months.

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Investment report (continued)

UK investment grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, ended the period 15bps lower at 108bps. However, credit spreads widened sharply, reaching their highest level since 2012, in Q1 2020 on concern over future corporate earnings and existing corporate leverage. Spreads reversed substantially over the rest of the year as corporate bonds benefited from an improvement in liquidity and investor sentiment on the back of easy fiscal and monetary policy and direct central bank purchases in the US and Europe. Vaccine news provided a further boost to credit assets at the end of the year.

UK commercial property returned -1.0% over the period as the income return of 5.6% failed to offset the 6.3% fall in capital values. The coronavirus outbreak intensified pressure on the already struggling retail sector, delivering the worse sector return of -10.8% over the last twelve months. The office sector returned -0.9% over the year, whilst industrials outperformed with a return of 8.7%.

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Engagement Policy Implementation Statement ('EPIS')

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ("the Regulations"). The Regulations amongst other things require that the Trustee outlines how it has ensured that the stewardship policies and objectives set out in its Statement of Investment Principles ('SIP') have been adhered to over the course of the year.

This is the first engagement policy implementation statement the Trustee has prepared and covers the year ending 31 December 2020.

This document sets out the actions undertaken by the Trustee, its service providers and investment managers, to implement the stewardship policy set out in the Statement of Investment Principles ('SIP'). The document includes voting and engagement information that has been gathered from the asset managers and an overview of how the policies within the SIP have been implemented during the reporting period.

The Scheme's stewardship policy

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies and assets in which the Scheme invests. Ultimately this creates long-term financial value for the Scheme and its beneficiaries.

Over the year to 31 December 2020, the Scheme's stewardship policy was to delegate responsibility to the applicable asset managers in the exercising of voting rights and engagement activity as necessary. The extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments was also delegated to the fiduciary manager and their corresponding appointed asset managers.

The Trustee receives an annual stewardship report from Aon Investments Limited ('AIL'), detailing voting and engagement activity from asset managers. This helps the Trustee ensure the Scheme's stewardship policy was being appropriately implemented in practice.

The latest Scheme SIP was updated at the end of September 2020 and can be found at this website: <https://www.bridonpensions.co.uk/pdf/bri-bridon-sip-2020-09.pdf>.

Through this report, the Trustee reviewed how the actions of its asset managers and AIL have aligned with its expectations and principles set out in the SIP. The Trustee will set out where it expects more information or engagement to be undertaken by its asset managers.

Scheme activity over the year

The Trustee reviews quarterly investment reports prepared by AIL. These reports include performance information and amongst other analysis.

AIL provided the Trustee with a copy of their 2019 Stewardship Report which provided details of the key engagements undertaken and asset managers' Responsible Investment ('RI') activities throughout 2019.

Over the year the Trustee received training from AIL and its investment consultant on regulatory matters relating to stewardship and on RI in a broader context. This also detailed some examples of RI engagement by AIL. This training supported the Trustee in its development of a new SIP policy in 2020 relating to ESG risks, stewardship and non-financial matters.

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Engagement – Fiduciary Manager

Under the Trustee's fiduciary mandate managed by AIL, AIL appoints underlying asset managers to achieve an overall target return. The Trustee delegates the monitoring of ESG integration and stewardship quality to AIL and AIL have confirmed that all equity and fixed income managers have been rated 2 or above on AIL's four-tier ESG ratings system. This means that all the appointed asset managers are at least aware of potential ESG risks in the investment strategy and have taken some steps to identify, evaluate and potentially mitigate these risks.

The Trustee has reviewed the AIL Annual Stewardship Report and is content that AIL is using its resources to appropriately influence positive outcomes in the strategies in which they invest.

AIL have undertaken a considerable amount of engagement activity over 2020, some examples of which have been outlined within this statement. AIL held around 35 ESG specific "deep-dive" meetings predominantly covering the equity and fixed income managers that are invested in by AIL across all delegated funds in which AIL's clients invest. At these meetings, AIL was able to analyse and discuss the voting and engagement activities undertaken during calendar year 2020, highlighting areas of improvement and discussing manager strategy in the area of RI moving forward.

Over 2020, Aon's Engagement Programme maintained a dialogue with one its leading global asset managers on behalf of many of their schemes which invest with the asset manager. This culminated towards the end of the year in a discussion with the asset manager's Global Head of Stewardship with respect to numerous areas of concern regarding stewardship, in particular its ability to demonstrate commitment to publicly stated climate change goals. Discussions were held regarding the following:

- Aon's analysis of the asset manager's voting actions over 2020 showed that the manager had not been voting in a manner consistent with their public pledges nor with rhetoric on the importance of sustainability issues. The manager acknowledged that there was a disconnect between voting decisions made in the first half of 2020, but that they had markedly changed their voting policies in the second half of 2020, and reassured Aon that moving forward, voting decisions would better align with their stated positions on such ESG matters. Aon expect to see this reflected in voting actions by mid-2021.
- Aon expressed concern that given the level of potential influence the asset manager had, the manager seemed unable to bring shareholder resolutions to those companies with which it had reason to engage. Reasons for this were regulatory and also concern about its investor classification status. The asset manager acknowledged Aon's concern and agreed to follow up with further detail. While its situation has not yet changed, it is possible that regulatory restrictions may be eased in the future allowing the asset manager to use shareholder resolutions as a tool. The asset manager has since stated its intention to use its vote for shareholder resolutions brought by other organisations, to greater effect.

The asset manager has since provided further information on how it is updating their policies in a manner consistent with their strategy of intensifying engagement on sustainability. For example, in areas such as the transition to the low carbon economy; diversity, equity and inclusion; voting on shareholders proposals.

Aon welcome the improved stance on ESG issues from the asset manager and their proactive updating of their policies to more closely align with their responsible investment goals. Aon will continue to monitor and engage with the asset manager, scrutinising their voting and engagement actions. Aon is encouraged that the asset manager plans to strengthen its influence with invested companies to better effect, especially the changed stance around supporting appropriate shareholder proposals.

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Voting and engagement - Equity

Over the year, the Scheme was invested in the AIL Managed Growth Strategy Fund. The material equity investments held in the Scheme over the year were:

- Legal and General Investment Management (LGIM) Multi Factor Equity Fund
- BlackRock Emerging Markets Equity Fund

The Trustee considers a significant vote broadly as a vote which the respective manager deems most significant to the Scheme, or a vote where more than 15% of votes were cast against management.

AIL Managed Growth Strategy

LGIM Multi Factor Equity Fund ('LGIM')

Voting

| | 1 Jan 2020 – 31 Dec 2020 |
|-------------------------------------------|--------------------------|
| % resolutions voted | 99.71% |
| % of resolutions voted against management | 17.90% |
| % resolutions abstained | 0.12% |

LGIM make use of ISS's proxy voting platform to electronically vote and augment their own research and proprietary ESG assessment tools, but do not outsource any part of the strategic decisions. They have put in place a custom voting policy with specific instructions that apply to all markets globally, which seek to uphold what they consider to be minimum best practice standards all companies should observe. Even so, LGIM retain the ability to override any voting decisions based on the voting policy if appropriate, for example if engagements with the company have provided additional information.

Significant vote – Amazon

An example of significant votes at a company was in May 2020, when LGIM supported 10 out of 12 shareholder proposals put forward against the management of Amazon, the largest number of shareholder proposals put on the table for any US company this proxy season. Two resolutions were in relation to governance structures that benefit long-term shareholders, and the remaining eight were in relation to disclosure to encourage a better understanding of process and performance of material issues. The resolutions received between 1.5% and 30% support from shareholders.

The company had received press coverage due to the largely negative sentiment related to its governance profile and its initial management of the COVID-19 pandemic. This was an important topic for LGIM's multiple engagements with the company over the past 12 months, as well as the separation of CEO and board chair roles, a desire for directors to participate in engagement meetings, and details about the data transparency committed to in their Climate Pledge. The Stewardship team at LGIM received more enquiries related to Amazon than any other company this season.

Engagement

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

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More information can be found on LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf.

An example of engagement over 2020 was with Proctor and Gamble (P&G). P&G uses both forest pulp and palm oil as raw materials within its household goods products. A key issue identified was that the company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Furthermore, two of its Tier 1 suppliers of palm oil were linked to illegal deforestation.

Following a resolution proposed by Green Century that P&G should report on effort to eliminate deforestation (that was voted on in October 2020), LGIM engaged with P&G, the resolution proponent, and with the Natural Resource Defence Counsel to fully understand the issues and concerns.

Through this round of engagements, LGIM decided to support this resolution as although P&G has introduced a number of objectives and targets to ensure its business did not impact deforestation, LGIM felt it was not doing as much as it could. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood was from FSC-certified sources. More detail on this stewardship example can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/cg-quarterly-report.pdf.

BlackRock Emerging Markets Equity Fund ('BlackRock')

Voting

| | Year to 31 Dec 2020 |
|-------------------------------------------|----------------------------|
| % resolutions voted | 97.1% |
| % of resolutions voted against management | 8.7% |
| % resolutions abstained | 3.0% |

Blackrock use Institutional Shareholder Services' ('ISS') electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. Blackrock's voting decisions are informed by internally-developed proxy voting guidelines, pre-vote engagements, research, and situational factors for each underlying company. Voting guidelines are reviewed annually and are updated as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

Over 2020, BlackRock have increased its level of reporting by publishing more voting bulletins with detailed information and rationale for voting decisions. These specific significant votes are chosen by BlackRock based on a number of criteria such as level of public attention, and impact of financial outcome.

Significant vote - Indofood CBP

In August 2020, at an Extraordinary General Meeting, BlackRock voted against the management proposal and recommendation that shareholders vote to approve the acquisition of the total issued share capital of Pinehill Company Limited. The purchase is from the ICBP affiliate party Pinehill Corpora Ltd (Pinehill Corpora), which is 57.3% controlled by the President Director of ICBP, Mr. Anthoni Salim. Pinehill Corpora owned 51% of Pinehill, with the remaining portion being owned by Steele Lake Ltd. The total consideration for the transaction is US\$2.998 billion in cash.

The proposed acquisition has merit from a strategic perspective. ICBP had in-depth knowledge of Pinehill's Indomie (Instant noodles) business and Pinehill's established footprint in its current markets could provide ICBP a strong platform for overseas growth. Nevertheless, BlackRock believes it is in their clients' best long-term economic interests to vote against the proposed acquisition due to the following concerns: 1) The valuation and terms of the transaction; and 2) The Board's oversight in relation to the inherent conflict of interest.

BRIDON GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2020

BlackRock identified several concerns regarding the proposed terms of the transaction. For example, the use of trailing price-to-earnings ('PE') as a benchmark for the forward earnings of the target company is questionable from a valuation methodology perspective. Had the valuation of Pinehill been determined by forward earnings of appropriate comparable companies at the time the transaction was announced, it would have yielded a more accurate valuation. If Pinehill's last reported earnings in 2019 were used on a like-for-like trailing PE basis, the proposed acquisition price values Pinehill at 38.6x (after adjusting for foreign exchange and interest expenses), which is double the average multiple that buyers had paid for packaged foods companies in Africa, Middle East, and European emerging markets in the past five years. As a consequence, BlackRock felt its clients, as shareholders in ICPB are significantly overpaying to acquire the assets from Pinehill.

More detail on the vote rationale can be found in the vote bulletin here:

<https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-icbp-aug-2020.pdf>.

Engagement

The Blackrock Investment Stewardship Team's stated key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management.

Blackrock has significantly increased its engagement activity year on year on a variety of key issues, including having over 400 engagements with companies where they discussed the impact of COVID-19. More information can be found in the Blackrock Investment Stewardship Annual Report 2020:

<https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020.pdf>.

Engagement – Fixed Income

The Scheme invest in Fixed Income securities through their arrangements with AIL in both their Managed Growth Strategy and Low Risks Bonds Strategy funds in their fund of fund approach.

While Equity managers may have more direct influence on the companies they invest in, Fixed Income managers are also increasingly influential in their ability to encourage positive change. A high-profile example of this is from Robeco, a Multi Asset Credit fund within the AIL strategy, that has ongoing engagement with Shell. In 2017, Shell announced their aim to reduce the net carbon footprint of its energy products by around half by 2050. Whilst Robeco was supportive of this step, they were not fully satisfied and continued to push Shell to set short-term targets. Following a series of engagements over a two-year period, Robeco and Shell agreed a joint statement committing the company to various actions, including setting climate targets and linking these targets to executive remuneration. Robeco believes Shell now leads the sector in terms of their planning and positioning for the energy transition.

The Trustee believes that engagements of this nature are key to managing ESG risks within the Scheme's portfolio, as well as having the added benefit of contributing to the transition towards a low carbon economy.

Engagement – Alternatives

The Scheme invest in a number of alternative strategies. These include asset classes such as managed futures, insurance linked securities, risk parity and gold.

The Trustee recognises that the respective investment processes and potentially illiquid nature of the alternative investments may mean that stewardship is potentially less applicable or may have a less tangible financial benefit. Nonetheless, the Trustee and AIL still expect that asset managers should open a dialogue to engage with issuers/companies they invest in should they identify concerns that may be financially material.

BRIDON GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2020

The following practices from Leadenhall Capital Partners (who manage an Insurance Linked Securities Fund within the AIL strategy) illustrate this. Leadenhall assesses adherence to ESG principles by considering specific factors, including:

1. Environmental impact, including pollution prevention (via underwriting standards) and remediation (via providing capital for protection), reduced emissions, preventing the spread of pandemic disease and adherence to environmental safety and regulatory standards
2. Social impact, including human rights, welfare and community impact issues
3. Governance issues including board structure, remuneration, accounting quality and corporate culture

In particular, pricing for climate change risk is an inherent part of Leadenhall's analysis of potential investments. MS Amlin, part of Leadenhall's parent group (MS&AD) and a reinsurer with sourcing and underwriting resources that Leadenhall leverages, is very active in monitoring, studying and looking at ways to tackle climate change. It is a Member of the Cambridge Institute for Sustainability Leadership and ClimateWise. Through this, MS Amlin aims to better communicate, disclose and respond to the risks and opportunities associated with the climate-risk protection gap.

Leadenhall performs a detailed review of its Investment Counterparties policies and controls including those concerning its explicit ESG and CSR frameworks. Where appropriate it will make recommendations to avoid Investment Counterparties who are not aligned with ESG policies.

Summary

Overall, the Trustee is of the opinion the stewardship carried out on behalf of the Scheme is adequate and in line with the stewardship policy stated in the SIP. The Trustee notes examples of the willingness and ability of LGIM and BlackRock to take proactive votes against management where appropriate. The Trustee also notes the efforts from their Fiduciary manager in monitoring the appointed underlying managers and encouraging better practices where appropriate. Having said that, the Trustee recognises that it has a responsibility as a large institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. Accordingly, the Trustee will continue to expect improvements over time in line with the increasing expectations on asset managers and its significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

Employer related investments

The investments of the Scheme are invested in accordance with Section 40 of the Pensions Act 1995. Details of any Employer related investments are disclosed in note 21 to the financial statements.

BRIDON GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2020

Further information

Further information about the Scheme is available, on request, to members, their spouses and other beneficiaries. In particular, the documents constituting the Scheme, the Rules and a copy of the latest actuarial report and the Trustee's Statement of Investment Principles can be inspected.

Individual benefit statements are provided to deferred members on request. In addition to the information shown on these statements members can request details of the amount of their current transfer value and, if applicable, the current amount of any refund of contributions to which they would be entitled on leaving service. Such requests are available free of charge once a year.

If members have any queries concerning the Scheme's or their own pension position, or wish to obtain further information, they should contact Aon Solutions UK Limited at the contact details on page 1 who will also be able to provide them with a further copy of the Scheme's booklet should they require one and answer any queries that they may have about entitlement to benefits.

Aon Solutions UK Limited processes the personal data as contained in this report and financial statements for the purpose of providing the Trustee with a report and financial statements on the operation of the Scheme. Aon Solution UK Limited processes personal data in the context of providing pension scheme administration services on behalf of the Trustee, the data controller. Aon Solutions UK Limited, when operating in its capacity as a data processor who provides the members of the Scheme with pension scheme administration services on behalf of the Trustee, will comply with the applicable legislation including any data protection legislation and the instructions of the Trustee.

The Trustee or the Employer will ensure the data subjects of whom personal data is processed for the purposes of this report and financial statements are informed of the processing activities in accordance with the requirements of the applicable data protection legislation.

BRIDON GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2020

Compliance matters

HM Revenue & Customs Registration

The Scheme is a registered pension scheme in accordance with the Finance Act 2004. This means that the contributions paid by both the Principal Employer and the members qualify for full tax relief, and enables income earned from investments by the Trustee to receive preferential tax treatment.

Pension Tracing

The Scheme is registered with the Pension Tracing Service which maintains a list of up to date addresses of schemes to assist ex-members in tracing their rights if they have lost contact with the previous Employers' scheme. The address for the Pension Tracing Service is:

The Pension Tracing Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

0800 731 0193
www.gov.uk/find-pension-contact-details

The Pensions Regulator

The Pensions Regulator ('TPR') is the United Kingdom ('UK') regulator of work-based pension schemes.

TPR's role is to act to protect the interest of pension scheme members and to enforce the law as it applies to occupational pensions.

The regulations set out clearly the areas that TPR covers and the powers that are vested in it. For example, TPR can prohibit or disqualify Trustees for acting unlawfully, and can impose fines on wrong doers.

TPR can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

0345 600 1011
customersupport@tpr.gov.uk
www.thepensionsregulator.gov.uk

BRIDON GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2020

Compliance matters (continued)

The Pension Protection Fund

The Pension Protection Fund was established to provide compensation to members of eligible 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 can be contacted at:

PPF Member Services
Pension Protection Fund
PO Box 254
Wymondham
NR18 8DN

0330 123 2222
ppfmembers@ppf.co.uk
www.ppf.co.uk

Questions about pensions

If you have any questions about your pension, The Pensions Advisory Service ('TPAS'), which is part of the Money and Pensions Service, provides professional, independent and impartial help with pensions for free. Services include independent information and general guidance on pension matters.

TPAS can be contacted at:

Money and Pensions Service
120 Holborn
London
EC1N 2TD

0800 011 3797
www.pensionsadvisoryservice.org.uk

Resolving difficulties/Internal Dispute Resolution

It is expected that most queries relating to benefits can be resolved with the Scheme's Administrator. In the event that a member's complaint cannot be resolved by the Administrator they may make a formal complaint using the Scheme's Internal Dispute Resolution ('IDR') procedure, details of which can be obtained from the Secretary to the Trustee or use the Pensions Ombudsman's informal Early Resolution Service.

The Government appointed Pensions Ombudsman can investigate complaints of injustice due to bad administration either by the Trustee or the Scheme's Administrator, or disputes of fact of law. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

0800 917 4487
enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

BRIDON GROUP (2013) PENSION SCHEME

TRUSTEE'S REPORT YEAR ENDED 31 DECEMBER 2020

Statement of Trustee's Responsibilities

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

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

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

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report. The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

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

Approval

The Trustee's Report was approved by the Trustee and signed and on its behalf by:

Trustee Director:

Date:

BRIDON GROUP (2013) PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF BRIDON GROUP (2013) PENSION SCHEME

Opinion

We have audited the financial statements of the Bridon Group (2013) Pension Scheme for the year ended 31 December 2020 which comprise the Fund Account, the Statement of Net Assets and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

BRIDON GROUP (2013) PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF BRIDON GROUP (2013) PENSION SCHEME

Other information

The other information comprises the information included in the report and financial statements set out on pages 1 to 45, other than the financial statements, our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 21, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

BRIDON GROUP (2013) PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF BRIDON GROUP (2013) PENSION SCHEME

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustee.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Act 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes).
- We understood how the Scheme is complying with these legal and regulatory frameworks by making enquiries of the trustee. We corroborated our enquiries through our review of the Trustee's meeting minutes.
- We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Scheme has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. In our assessment we considered the risk of management override. Our audit procedures included, testing manual journals, including segregation of duties.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustee for its awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of Trustee's minutes.
- The Scheme is required to comply with UK pensions regulations. As such the Statutory Auditor has considered the experience and expertise of the engagement team to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Scheme with these regulations as part of our audit procedures.

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

Use of our report

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

Ernst & Young LLP
Statutory Auditor
Reading
Date:

BRIDON GROUP (2013) PENSION SCHEME

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020 £ | 2019 £ |
|--------------------------------------------------|------|--------------------|--------------------|
| Employer contributions | 4 | 312,500 | 750,000 |
| Other income | 5 | 208 | - |
| | | 312,708 | 750,000 |
| Benefits paid or payable | 6 | (1,716,393) | (1,600,168) |
| Payments to and on account of leavers | 7 | (3,772,422) | (2,572,912) |
| Administrative expenses | 8 | (153,754) | (34,143) |
| | | (5,642,569) | (4,207,223) |
| Net withdrawals from dealing with members | | (5,329,861) | (3,457,223) |
| Returns on investments | | | |
| Investment income | 9 | 379 | 69,065 |
| Change in market value of investments | 10 | 13,455,877 | 12,086,017 |
| Investment management expenses | 11 | - | (22,840) |
| | | 13,456,256 | 12,132,242 |
| Net returns on investments | | 13,456,256 | 12,132,242 |
| Net increase in the fund during the year | | 8,126,395 | 8,675,019 |
| Opening net assets | | 90,080,840 | 81,405,821 |
| Closing net assets | | 98,207,235 | 90,080,840 |

The notes on pages 27 to 39 form part of these financial statements.

BRIDON GROUP (2013) PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 DECEMBER 2020

| | Note | 2020 £ | 2019 £ |
|---------------------------------------------------------|------|------------|------------|
| Investment assets | | | |
| Pooled investment vehicles | 13 | 98,834,551 | 89,872,276 |
| AVC investments | 14 | 71,191 | 71,479 |
| Cash | 15 | 4,122 | 283,000 |
| | | 98,909,864 | 90,226,755 |
| Total net investments | | 98,909,864 | 90,226,755 |
| Current assets | 19 | 200,192 | 295,690 |
| Current liabilities | 20 | (902,821) | (441,605) |
| Net assets available for benefits at 31 December | | 98,207,235 | 90,080,840 |

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 included in the Trustee's Report on page 6. These financial statements and Actuarial Certificates should be read in conjunction with this report.

The notes on pages 27 to 39 form part of these financial statements.

These financial statements on pages 25 to 39 were approved by the Trustee and were signed on its behalf by:

Trustee Director:

Date:

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Basis of preparation

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

2. Identification of financial statements

Bridon Group (2013) Pension Scheme is a Defined Benefit occupational pension scheme established under trust under English Law.

The address of the Scheme's office is:

Bridon International Limited
Icon Building
First Point
Balby Carr Bank
Doncaster DN4 5JQ

3. Accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

Functional and presentational currency

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

Contributions

Employer's deficit funding contributions are accounted for in the year in which they fall due in line with the Schedule of Contributions.

Benefits paid or payable

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

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type and amount of the benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Payments to and on account of leavers

Individual transfers to other schemes are accounted for when member liability is discharged which is normally when the transfer amount is paid.

Administrative expenses

Administrative expenses are accounted for on an accruals basis, net of recoverable VAT.

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Accounting policies (continued)

Other income

Other income is accounted for on an accruals basis.

Investment income

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

Income arising from the underlying investments of the pooled investment vehicles, which is reinvested within the pooled investment vehicles, is reflected in the unit price. Such income is reported within the change in market value.

Income from cash and short-term deposits is accounted for in these financial statements on an accruals basis.

Change in market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees.

Investment management expenses

Investment management fees are accounted for on an accruals basis.

Management fees for pooled investment vehicles are incorporated in the unit price and reflected in change in the market value of investments in the Fund Account.

Valuation of investment assets

Investments

Investment assets are included in the financial statements at fair value. The methods of determining fair value for the principal classes of investment are:

Pooled investment vehicles which are unquoted or not actively traded are stated at bid price or single price where there is no bid/offer spread as provided by the investment manager at the year end.

With profits insurance policies held as AVC investments are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.

AVC funds are included within the Statement of Net Assets (Available for Benefits) on the basis of fair values provided by the AVC provider at the year end.

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. Contributions

| | 2020 £ | 2019 £ |
|------------------|----------------|----------------|
| Employer: | | |
| Deficit funding | 312,500 | 750,000 |
| | <u>312,500</u> | <u>750,000</u> |

Deficit funding contributions of £62,500 p.m. were due to be paid by the Employer to the Scheme until 31 August 2021 in accordance with the Recovery Plan dated 20 December 2017 in order to improve the Scheme funding position. This was paid up to 31 May 2020 when the new schedule became effective.

According to the Schedule of Contributions certified on 17 June 2020 no deficit reduction contributions will be paid to the Scheme. This is because the Scheme was in surplus on the technical provision basis as at 31 December 2019 and no additional contributions are required.

5. Other income

| | 2020 £ | 2019 £ |
|--------------|------------|-----------|
| Other income | <u>208</u> | <u>-</u> |

6. Benefits paid or payable

| | 2020 £ | 2019 £ |
|-----------------------------------------------------------|------------------|------------------|
| Pensions | 1,275,666 | 1,236,634 |
| Commutations of pensions and lump sum retirement benefits | 440,727 | 363,534 |
| | <u>1,716,393</u> | <u>1,600,168</u> |

Included in pensions above is the provision of £0.35 million (2019: £0.4 million) for backdated benefits adjustments in relation to GMP equalisation and an allowance in relation to historical GMP transfer payments as detailed in note 24.

7. Payments to and on account of leavers

| | 2020 £ | 2019 £ |
|---------------------------------------|------------------|------------------|
| Individual transfers to other schemes | <u>3,772,422</u> | <u>2,572,912</u> |

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8. Administrative expenses

| | 2020 £ | 2019 £ |
|-------------------------|-----------|-----------|
| Other professional fees | 35 | 35 |
| Sundry expenses | 153,253 | 33,605 |
| Bank charges | 467 | 503 |
| | 153,754 | 34,143 |

From 1 January 2018, the expenses of administering the Scheme are met directly by the Employer with any expenses above £0.33 million p.a. (excluding VAT) being reimbursed by the Scheme to the Employer. These expenses are included within sundry expenses.

The amount of £153,253 includes £152,082 that relates to the expenses above £0.33 million p.a. (excluding VAT) being reimbursed by the Scheme to the Employer and £1,170 that was a reimbursement to cover divorce fees in respect of a member.

9. Investment income

| | 2020 £ | 2019 £ |
|----------------------------------------|-----------|-----------|
| Income from pooled investment vehicles | - | 65,704 |
| Interest on cash deposits | 379 | 3,361 |
| | 379 | 69,065 |

10. Investments

| | Opening value at 1 Jan 2020 £ | Purchases at cost £ | Sales proceeds £ | Change in market value £ | Closing value at 31 Dec 2020 £ |
|----------------------------|----------------------------------------|---------------------------|---------------------|-----------------------------------|-----------------------------------------|
| Pooled investment vehicles | 89,872,276 | 211,000 | (4,685,715) | 13,436,990 | 98,834,551 |
| AVC investments | 71,479 | 36,241 | (55,417) | 18,888 | 71,191 |
| | 89,943,755 | 247,241 | (4,741,132) | 13,455,878 | 98,905,742 |
| Cash | 283,000 | | | | 4,122 |
| Total net investments | 90,226,755 | | | | 98,909,864 |

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10. Investments (continued)

Transaction costs

Transaction costs are included in the cost of purchases and deducted from sale proceeds in the reconciliation above. Transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty.

| | Pooled Investment Vehicles £ | 2020 Total £ |
|------|-------------------------------------------------|-----------------------------|
| Fees | 39,972 | 39,972 |

| | Pooled Investment Vehicles £ | 2019 Total £ |
|------|-------------------------------------------------|-----------------------------|
| Fees | 61,851 | 61,851 |

In addition to the direct transaction costs above, indirect costs are incurred through the bid-offer spread on pooled investment vehicles. It is not possible for the Trustee to quantify these indirect costs.

11. Investment management expenses

| | 2020 £ | 2019 £ |
|------------------------------------|-------------------|-------------------|
| Administration and management fees | - | 27,391 |
| Management fee rebates | - | (4,551) |
| | - | 22,840 |

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

12. Taxation

The Scheme is a registered pension scheme in accordance with the Finance Act 2004. This means that the contributions paid by both the Employer and the members qualify for full tax relief, and is exempt from income tax and capital gains tax except for withholding tax on overseas investment income.

13. Pooled investment vehicles

| | 2020 £ | 2019 £ |
|--------------------|------------|------------|
| Tailored LDI funds | 98,834,551 | 89,872,276 |

The Scheme is the sole investor in Aon Hewitt Bespoke Fund B17 which is managed by Aon Investments Limited. A breakdown of the underlying assets at the year end is set out below:

| | 2020 £ | 2019 £ |
|--------------------|-------------------|-------------------|
| Hedging component | 44,511,929 | 27,411,434 |
| Bonds | 26,682,604 | 38,674,555 |
| Equities | 12,086,361 | 6,831,491 |
| Diversified growth | 11,523,434 | 14,122,794 |
| Cash | 3,103,050 | 1,616,785 |
| Property | 927,173 | 1,215,217 |
| | <u>98,834,551</u> | <u>89,872,276</u> |

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14. AVC investments

| | 2020 £ | 2019 £ |
|--------|---------------|---------------|
| Aviva | 71,191 | 38,260 |
| Utmost | - | 33,219 |
| | <u>71,191</u> | <u>71,479</u> |

The Trustee holds assets which are separately invested from the main Scheme to secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 31 December each year confirming the amounts held to their account and movements during the year.

Following High Court approval and with effect from 1 January 2020, Equitable Life with-profit policies were uplifted, their investment guarantees and switching rights removed and the policies converted to unit linked policies. Subsequently to this all policies were transferred to Utmost Life and Pensions Limited.

The total amount of AVC investments at the year end is shown above.

All Utmost assets were transferred to Aviva during the year.

Aviva can be further analysed as:

| | 2020 £ | 2019 £ |
|--------------|---------------|---------------|
| With profits | 71,191 | 35,483 |
| Unit trusts | - | 35,996 |
| | <u>71,191</u> | <u>71,479</u> |

15. Cash and other investment balances

| | 2020 £ | 2019 £ |
|-----------------|--------------|----------------|
| Cash in transit | <u>4,122</u> | <u>283,000</u> |

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

16. Fair value hierarchy

FRS102 requires for each class of financial instrument an analysis of the level in the following fair value hierarchy into which the fair value measurements are categorised. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Level 1: The unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the assessment dates;

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability either directly or indirectly;

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets fall within the above hierarchy as follows:

| | Level 1 £ | Level 2 £ | Level 3 £ | 2020 Total £ |
|----------------------------|--------------|--------------|--------------|--------------------|
| Investment assets | | | | |
| Pooled investment vehicles | - | 98,834,551 | - | 98,834,551 |
| AVC investments | 4,122 | - | 71,191 | 75,313 |
| | 4,122 | 98,834,551 | 71,191 | 98,909,864 |

| | Level 1 £ | Level 2 £ | Level 3 £ | 2019 Total £ |
|----------------------------|--------------|--------------|--------------|--------------------|
| Investment assets | | | | |
| Pooled investment vehicles | - | 89,872,276 | - | 89,872,276 |
| AVC investments | - | - | 71,479 | 71,479 |
| Cash | 283,000 | - | - | 283,000 |
| | 283,000 | 89,872,276 | 71,479 | 90,226,755 |

Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted and the investment assets are included in Level 3.

Valuation techniques in determining fair value are described in note 3.

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

17. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks.

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

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

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

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

Other price risk: this is 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 individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment manager and monitored by the Trustee by regular reviews of the investment portfolio.

Credit risk

The Scheme is subject to credit risk because the Scheme has cash balances. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the investments it holds in the pooled investment vehicles.

Cash is held within financial institutions which are at least investment grade credit rated. This is the position at the year-end and the prior year.

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled managers, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The manager carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled managers.

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

17. Investment risks (continued)

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

| | 31 December 2020 Market Value £ | 31 December 2019 Market Value £ |
|-------------------------------|---------------------------------------|---------------------------------------|
| Open ended investment company | 98,834,551 | 89,872,276 |
| Total | 98,834,551 | 89,872,276 |

Source: Aon / Bank of New York Mellon / Managers

Please note that figures may not sum due to rounding.

Indirect credit risk arising from underlying investments held in the bond and liability matching pooled investment vehicles is mitigated by the underlying exposures on an aggregate basis being predominantly investment grade credit securities. However, the funds may invest in debt securities which may be unrated by a recognised credit rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The funds may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The funds may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Risk is mitigated by holding a diverse portfolio of investments with exposure to a range of issues and issuers, through the higher yield available on these investments which compensates on an aggregate basis for the risk taken and through the use of an active fund manager who through careful stock selection will aim to reduce the impact of defaults and downgrades.

Currency risk

No direct currency risk exists as all of the pooled investment vehicles held by the Scheme are denominated in GBP.

Indirect currency risk arises because some investments are held in overseas markets via pooled investment vehicles. The manager may enter into currency exchange transactions and/or use techniques and instruments to seek to protect against fluctuation in the relative value of its portfolio positions as a result of changes in currency exchange rates between the trade and settlement dates of specific securities transactions or anticipated securities transactions.

Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in leveraged gilts through pooled vehicles, and cash, as part of their LDI investment strategy (Hedging Component). Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. The Scheme also has some exposure to bond pooled investment vehicles as part of its diversified return seeking growth portfolio.

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

17. Investment risks (continued)

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which is invested in a diversified range of return-seeking pooled vehicles including, but not limited to, equities, fixed income, liquid alternatives, property and other asset classes, predominantly via a diversified growth pooled vehicle.

The following table summarises the extent to which the various classes of the Scheme's investments are affected by indirect financial risks

| Strategy | Fund | Credit Risk | Currency Risk | Interest Rate Risk | Other Price Risk | 31 December 2020 | 31 December 2019 |
|-------------------------|------------|-------------|---------------|--------------------|------------------|-------------------|-------------------|
| | | | | | | Market Value £ | Market Value £ |
| Low Risk Bond strategy | Adept SF25 | ● | ◐ | ● | ◐ | 20,821,546 | 29,182,723 |
| Managed Growth strategy | Adept SF9 | ◐ | ◐ | ◐ | ● | 33,113,318 | 32,843,708 |
| Hedging Component | | ◐ | ○ | ● | ○ | 44,511,929 | 27,411,434 |
| Cash | | ○ | ○ | ○ | ○ | 387,758 | 434,411 |
| Total | | | | | | 98,834,551 | 89,872,276 |

Source: Aon / Bank of New York Mellon.

Cash balances held in LDI accounts are included in the Hedging Component market value.

Please note that figures may not sum due to rounding.

In the table above, the risk noted affects the investment class [●] significantly, [◐] partially or [○] hardly/not at all.

18. Concentration of investments

The following investments, excluding UK Government securities, account for more than 5% of the net assets of the Scheme.

| | 2020 | | 2019 | |
|-----------------------------|------------|-----|------------|-----|
| | Value £ | % | Value £ | % |
| Aon Hewitt Bespoke Fund B17 | 98,834,551 | 101 | 89,872,276 | 100 |

The Scheme is the sole investor in Aon Hewitt Bespoke Fund B17 which is managed by Aon Investments Limited. The following underlying funds, excluding UK Government securities, account for more than 5% of the net assets of the Scheme (excluding hedging component).

| | 2020 | | 2019 | |
|------------|------------|----|------------|----|
| | Value £ | % | Value £ | % |
| Adept SF9 | 33,113,218 | 34 | 32,843,708 | 36 |
| Adept SF25 | 20,821,546 | 21 | 29,182,723 | 32 |

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. Current assets

| | 2020 £ | 2019 £ |
|----------------------------|----------------|----------------|
| Employer contributions due | - | 62,500 |
| Prepayments | 70,347 | 65,369 |
| Cash balances | 129,436 | 162,007 |
| Sundry debtors | 409 | 5,814 |
| | <u>200,192</u> | <u>295,690</u> |

All contributions due to the Scheme were received in accordance with the Schedule of Contributions.

20. Current liabilities

| | 2020 £ | 2019 £ |
|------------------|----------------|----------------|
| Accrued benefits | 750,000 | 400,000 |
| Due to employer | 152,082 | 41,605 |
| Sundry creditors | 739 | - |
| | <u>902,821</u> | <u>441,605</u> |

In October 2018, the High Court determined that benefits provided to members who had contracted out of the state pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. Based on an initial assessment of the likely backdated amounts and related interest the Trustee have included a liability of £0.75 million in respect of these matters in these financial statements. This includes an allowance of £0.2 million in relation to GMP historical transfer payments.

The amount of £739 relates to the AVC disinvestment in response of a member (FKI AVC policy) incorrectly credited to Bridon account.

21. Employer related investments

There were no direct Employer related investments during the year or at the year end (2019: Nil).

The Trustee recognises that indirect investment in the Employer's parent company, is possible through holdings in pooled investment vehicles. Based on information provided by the investment manager the Trustee believes that any indirect exposure to shares in the Employer sponsor group was no more than 0.1% of the Scheme assets at any time during the year or at the year end and was Nil (2019: Nil%) at year end.

BRIDON GROUP (2013) PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. Related party transactions

Related party transactions and balances comprise:

Key management personnel

Fees and expenses were paid to Trustee Directors in the amount of £38,884 (2019: £35,610) by the Employer.

The membership status of the Trustee Directors at the year end is as below:

G Dallard - non-member (2019: non-member)

G Peters - non-member (2019: non-member)

G Cook - non-member (2019: non-member)

Capital Cranfield Pension Trustee Limited – represented by S Anyan – non-member (2019: non-member)

Employer and other related parties

The Principal Employer is considered a related party. All transactions involved with this entity relate to remittance of monthly contributions required under the Rules of the Scheme. The Principal Employer recharges the Scheme for costs.

The Principal Employer recharged the Scheme for costs of administration (excluding the PPF levy) in excess of £330,000 per annum in the amount of £152,082 (2019: £41,605).

23. Contingent assets and liabilities

In the opinion of the Trustee, the Scheme had no contingent assets and liabilities as at 31 December 2020 (2019: £Nil).

24. GMP Equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of the state pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee have included a liability of £0.75 million in respect of these matters in these financial statements. This includes an allowance of £0.2 million in relation to historical transfer payments.

BRIDON GROUP (2013) PENSION SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF BRIDON GROUP (PENSION) SCHEME

Independent Auditor's Statement about Contributions to the Trustee of Bridon Group (2013) Pension Scheme

We have examined the summary of contributions to the Bridon Group (2013) Pension Scheme for the Scheme year ended 31 December 2020, which is set out on page 41.

In our opinion contributions for the Scheme year ended 31 December 2020 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the scheme actuary on 20 December 2017 and 17 June 2020.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 41 have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, Schedules of Contributions and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedules of Contributions.

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

Use of our statement

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

Ernst & Young LLP
Statutory Auditor
Reading

Date:

BRIDON GROUP (2013) PENSION SCHEME

SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 31 DECEMBER 2020

During the year ended 31 December 2020 the contributions payable to the Scheme were as follows:

| | Employer £ | Total £ |
|---------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| Contributions payable under the Schedules of Contributions and as reported by the Scheme auditor | | |
| Deficit funding | 312,500 | 312,500 |
| Total contributions reported in the financial statements | 312,500 | 312,500 |

The Summary of Contributions was approved by the Trustee and signed on its behalf:

Trustee Director:

Date:

BRIDON GROUP (2013) PENSION SCHEME

ACTUARIAL CERTIFICATES

Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Bridon Group (2013) 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 Trustees of the Scheme and set out in the statement of funding principles dated 17 June 2020.

| | | | |
|-----------|-------------------------------------------------------|---------------|--------------------------------------------------|
| Signature | ALKA SHAH | Date | 11 March 2021 |
| Name | Alka Shah | Qualification | Fellow of the Institute and Faculty of Actuaries |
| Address | Colmore Gate 2 Colmore Row Birmingham B3 2QD | Name of | Aon |

BRIDON GROUP (2013) PENSION SCHEME

ACTUARIAL CERTIFICATES

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: Bridon Group (2013) Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2019 to be met by the end of the period for which the schedule is in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 17 June 2020.

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

| | | | |
|------------|-------------------------------------------------------|-------------------|--------------------------------------------------|
| Signature: | | Date: | 17 June 2020 |
| Name: | Alka Shah | Qualification: | Fellow of the Institute and Faculty of Actuaries |
| Address: | Colmore Gate 2 Colmore Row Birmingham B3 2QD | Name of employer: | Aon Hewitt Limited |

BRIDON GROUP (2013) PENSION SCHEME

ACTUARIAL CERTIFICATES

Summary Funding Statement

This section summarises the results of the valuation at 31 December 2019. It also looks at the most recent previous results. These financial health checks are vital for monitoring the Scheme's progress. We hope the information helps you to understand how the Scheme is developing.

The latest position

The table below shows how the funding position has changed since the Actuarial updates at 31 December 2018 and 31 December 2017.

| | Results of Actuarial Valuation | Annual Actuarial Update | Annual Actuarial Update |
|-----------------------------------|--------------------------------|------------------------------|------------------------------|
| Date | 31 December 2019 | 31 December 2018 | 31 December 2017 |
| The funding level | 108% | 96% | 99% |
| The funding target | £83.3 million | £84.5 million | £88.8 million |
| The value of the Scheme's assets* | £90.0 million | £81.3 million | £88.1 million |
| The overall position | Surplus of £6.7 million | Shortfall of £3.2 million | Shortfall of £0.7 million |

The latest valuation shows that the funding level has improved since the update at 31 December 2018.

Reasons for the change

The improvement in the Scheme's funding position has been due to a number of factors, including:

- Strong investment returns;
- Deficit reduction contributions paid by the Company; and
- A reduction in the funding target due to members transferring out of the Scheme and a Parent Company guarantee (see below).

BRIDON GROUP (2013) PENSION SCHEME

ACTUARIAL CERTIFICATES

Financial support

As the Scheme was in surplus as at 31 December 2019 valuation, the Company does not currently need to contribute to the Scheme.

Parent Company Guarantee

As part of the negotiations for the 31 December 2019 valuation, the Company agreed to put in place a Parent Company Guarantee from NV Bekeart SA. The Guarantee provides additional protection of members benefits.

If the Scheme came to an end

The Scheme's funding level is worked out in two ways.

- The 'ongoing' basis, which assumes that the Scheme will continue into the future.
- The 'full solvency' basis, which shows the funding position if the Scheme started to 'wind up' at the date of the valuation. If this happened, all members' benefits would have to be secured without delay by buying insurance policies. This would be more expensive than paying benefits gradually over time so the full solvency position funding level is generally lower than the ongoing position, even for fully funded pension schemes.

The results of the 31 December 2019 valuation show the Scheme's full solvency funding level of 77% with a shortfall of £26.5 million.

Please note that we are legally required to report the full solvency position as part of this funding statement. The Company has no current plans to end the Scheme.

We must also tell you if there have been any payments to the Company out of Scheme funds in the last 12 months. There have not been any such payments.

The Pensions Regulator

The Pensions Regulator is the UK watchdog of workplace pension schemes. It has the authority to change the way occupational pension schemes are run though it has not needed to use its powers in this way for our Scheme. You can find out more about the Regulator online at www.thepensionsregulator.gov.uk.