Invensys Pension Scheme

Trustee's Annual Report & Financial Statements 2021

Scheme Registration Number: 10143856

Contents

Trustee Purpose and Charter

The primary purpose of the Trustee when managing the Scheme is:

- To deliver the benefits accrued by members as they fall due.

Whilst carrying out its duties the Trustee will comply with its obligations to:

- Act in accordance with the Scheme's governing documents and the law.
- Act in the best interests of the members at all times, taking into account the position of each class of member.
- Act prudently, honestly, with integrity and in good faith having taken appropriate professional advice.
- Seek to safeguard members' benefits by managing Scheme funds effectively.
- Communicate to all members regularly and in a clear and concise way.
- Deliver a high level of service to all members.

Chair's review
continued

There are four parts to this review:

1. The year in summary
2. Our investment summary
3. The outlook
4. Response to COVID-19

1. The year in summary

This section summarises the year to 31 March 2021.

Scheme valuation and contributions

The last complete full valuation of the Invensys Pension Scheme (the Scheme) was performed by the Scheme Actuary as at 31 March 2018. At that date the Scheme's total assets of £5,097m exceeded the estimated liabilities of £4,954m by £143m. This represented a funding level of 102.9%.

As the Scheme was fully funded on a Technical Provisions basis, no deficit repair contributions are currently required from the Scheme's Sponsor, Invensys Limited (the Company) or from the other participating employers in the Scheme.

The Trustee is in the process of carrying out a full valuation of the Scheme as at 31 March 2021, and aims to complete the process later this year.

Estimated funding position in March 2021

Each year, the Scheme Actuary provides the Trustee with an estimated funding position, based on the assumptions agreed at the previous triennial valuation. As at 31 March 2021, the assets of the Scheme were £4,828m and the liabilities were estimated to be £4,722m using the 2018 actuarial assumptions. This indicated that the Scheme had a surplus of £106m and a funding ratio of 102.2%.

This position represents a significant recovery in the funding ratio from 98.0% at 31 March 2020 when the market value of the Scheme's assets were affected by the emergence of the COVID-19 pandemic.

Over the three years since March 2018 the investment return exceeded our Strategic Target (defined below). Despite this the estimated funding ratio of 102.2% is slightly below the March 2018 surplus of 102.9%. This is caused by the recognition of a provision for GMP Equalisation made following court decisions regarding Lloyds Banking Group's pension schemes that affect many other schemes as well as minor variations between actual experience in the three years and the assumptions used in the 2018 valuation.

Support for the Scheme

Six companies that are part of the Invensys Limited group remain as "Participating Employers". In addition to the Company, these companies are BTR Industries Limited, Eurotherm Limited, IMServ Europe Limited, Schneider Electric Controls UK Limited, and Schneider Electric Systems UK Limited. Together these companies are responsible for supporting the Scheme to ensure that it can pay benefits as they fall due.

The Company is a holding company that has substantial assets which mainly comprise investments in its subsidiaries and balances receivable from fellow Schneider Electric SE (Schneider Electric) group companies. The net assets of the Company at 31 December 2020 were £2.7bn, when adjusted to exclude accounting entries related to the net assets of this Scheme which are not a potential source of additional funding for the Scheme. Given the dependency of the Company on its investments in and on debt owed by other Schneider Electric group companies, the reported resilience of the Schneider Electric group, described below, is important.

Relative to the size of the Scheme, there is limited trading activity in the six Participating Employers. The combined annual turnover of the six companies is c. £150m.

Schneider Electric announced the sale of IMServ Europe Limited on 30 July 2021. The accrued Scheme benefits of members who were employed by IMServ will remain in the Scheme and will not be affected by this disposal. The Trustee has been discussing the disposal of IMServ with the Company and will update members on the outcome of those discussions in due course.

Schneider Electric guarantee and results

The Scheme has the additional support of a guarantee up to a maximum of £1.75bn to the Scheme provided by Schneider Electric, which has been the ultimate parent company of the Participating Employers since 2014. This guarantee is not the same as the responsibilities of the Participating Employers to the Scheme. The guarantee is a secondary obligation that would be triggered only in the event that a Participating Employer failed to meet its obligations to the Scheme.

In the year to 31 December 2020, the consolidated Schneider Electric group generated adjusted earnings before interest, taxes and amortisation (EBITA) of €3.9bn

Chair's review
continued

(2019: €4.2bn) and free cash flow of €3.7bn (2019: €3.5bn).

The total market capitalisation of Schneider Electric at 31 March 2021 was €74bn.

Schneider Electric reported that group revenue in the six months to 30 June 2021 grew by 19.0% to €13,774m, more than reversing the 12.3% revenue fall in H1 2020 that resulted from the impact of COVID-19.

Membership and benefits paid

The Scheme closed to future accrual on 31 March 2015. All then active members became deferred members at that time.

As set out on page 7 the Scheme has 55,722 members, 4.3% fewer than the previous year. The main reason for the reduction in membership is mortality. This is to be expected in a closed scheme with 39,198 or 70% of the members receiving a pension. The remaining 16,524 members have deferred benefits.

In the year to 31 March 2021 the Scheme paid pensions and lump sums of £244m to its members and their dependants.

Scheme Administration

Online access to information is now available to all pensioner and deferred members. This facility has proved useful in enabling provision of information during the COVID-19 lockdown, and we continue to encourage members to register for an account.

Guaranteed Minimum Pension Reconciliation and Rectification

In common with all other pension schemes which have previously contracted out of the State Second Pension, the Scheme has been reconciling its Guaranteed Minimum Pension (GMP) records with the UK Government's information. The project involved the comparison of many thousands of records dating back to 1978 and is particularly onerous because of the number of schemes that were merged into what became the Invensys Pension Scheme. The reconciliation phase is now complete and work has begun on assessing the best way to rectify benefits where GMP figures have been updated.

GMP Equalisation

The High Court made its decision in the Lloyds Bank pension scheme case in late 2018.

The court ruling was about how GMPs are calculated. GMP is a part of some members' pensions. In most cases, it is only a small part. The way in which a GMP is calculated could lead to the payment of unequal pensions for men and women. The High Court decided that this must change – pension schemes must 'equalise' pensions that contain GMP, so that gender does not cause a difference in the pension paid to a member.

Both women and men could be affected. Some members who built accrued pensions between 1990 and 1997 could get a top-up to their pension, though many won't.

Further guidance was published by HMRC during 2019 and 2020, which helped to clarify the tax position for members entitled to an increase in pension as a result of equalisation. A further Court judgement in late 2020 confirmed that schemes should take steps to consider whether and how GMP benefits transferred out to other schemes could also have to be equalised.

The issues surrounding equalisation are complex and the Trustee is working with its advisers and the Company to determine the appropriate solution to this issue. We will continue to provide updates on this subject in future editions of Pension News.

Brexit

During the year the Trustee worked with its advisers and Investment Managers to ensure that its investment arrangements, agreements and reporting required as a result of the UK's withdrawal from the European Union remain appropriate.

2. Our investment summary

Our investment strategy

Our investment strategy is:

1. to secure members' future benefits by reducing risk and delivering consistent, reliable investment performance.
2. to meet the investment target agreed with the Company, which is currently to achieve one percentage point above the return on gilts each year (the Strategic Target). This requires the Trustee to invest in some assets that have an element of risk associated with them.

Chair's review continued

Strong investment performance as markets recover from COVID-19 shock

The Scheme's investment portfolio performed strongly during the year. The Scheme's investment return over the last three years was 0.2 percentage points ahead of the Strategic Target.

Our Strategic Target is to deliver a return equal to the return on Gilts (UK Government bonds) +1.0 percentage point per annum. This is the return on our assets that is assumed in the Scheme Actuary's calculation of the Scheme's liabilities called Technical Provisions.

In the year to March 2021 the market interest rate for gilts rose, reducing both the value of gilts which pay a fixed interest rate and the present value of the pensions that the Scheme is expected to pay in the future. This resulted in a Strategic Target of -2.5%. The investment return in the year of 2.3% exceeded this target by 4.8 percentage points.

The investments that the Scheme holds to generate the performance above gilts produced a return in the year of 11.5% as markets recovered from the losses seen in February and March 2020.

During the year, the Trustee, acting through the Investment Committee and the Executive Office, made a number of reallocations of its investments to take advantage of opportunities as market conditions changed.

These changes were relatively subtle to what remained a relatively low-risk investment portfolio throughout the year. The Trustee will continue to act cautiously to protect the Scheme's funding level, whilst looking for investment opportunities to enhance it.

You can find further details in the Investment report on page 16 and the Implementation Statement on page 25.

Utmost Life AVC investments

In May 2020, the Trustee transferred all the AVC investments held by Utmost Life and Pensions to Legal & General. The funds had been transferred from Equitable Life to Utmost Life in January 2020 in accordance with a Scheme of Arrangement approved by the High Court.

3. The outlook

The Scheme remains well positioned for the future

Whilst markets recovered strongly in the year to March 2021, the medium-term effect of the COVID-19 pandemic on the economy remains uncertain. The Trustee continues to incorporate more prudent scenarios into its planning model.

Despite this uncertain outlook, the Trustee believes that the Scheme remains well positioned to pay the pensions promised to its members. This view arises not only from the current funding level, but from the obligation of the Participating Employers to make contributions, if required, to remedy a funding deficit and the guarantee from Schneider Electric that contributions due from the Participating Employers to the Scheme will be paid.

The Trustee will continue to assess the financial security of the Scheme

Looking to the future, the Trustee continues to monitor both the funding level, the covenant of the Participating Employers, and the security provided by the Schneider Electric guarantee. Where there are opportunities to improve the security of our members' benefits, we will seek to work with the Company and Schneider Electric to achieve them.

The Trustee will continue to monitor the Scheme's investments closely, looking for ways to deliver the current investment target while managing investment risk.

Regulatory developments

The Pensions Act 2021 became law in February. The legislation strengthened protection for scheme members through the extension of the powers of the Pensions Regulator (TPR) and the introduction of new civil penalties of up to £1 million, alongside three new criminal offences.

A key aim is to deter employers from making reckless decisions with their defined benefit schemes and to strengthen the regulators' powers to take efficient and timely actions.

The Act also enables new regulations designed to reduce losses from transfers out to suspected scam vehicles, includes a framework for new climate risk-related governance and reporting requirements for trustees and sets a framework for the introduction of Pension Dashboards. All of

Chair's review continued

these changes will affect the Scheme in the coming years.

This year we are required to add an Implementation Statement to the Annual Report setting out how the Trustee has implemented its Statement of Investment Principles.

Consultation is underway regarding the Pensions Regulator's revised Funding Code referred to below and on its new Single Code of Conduct. The Single Code of conduct introduces a requirement for trustees to demonstrate that it has an "effective system of governance" and to carry out "own risk assessments" to assess how well their policies and procedures address the various risks that their scheme faces.

The Executive Office has also had to implement changes resulting from Brexit, prepare for the withdrawal of LIBOR rates, which were referenced in many of the Scheme's investments and financial instruments and consider the implications of RPI reform on the Scheme.

The volume of new regulation and the other changes puts a significant burden on both the resources of the Scheme and other pension schemes. Our Executive Office will continue to monitor to new regulatory requirements and respond to them appropriately.

March 2021 Triennial Valuation

The Trustee is carrying out a full triennial valuation of the Scheme as at 31 March 2021 with the Scheme Actuary. The updated actuarial assumptions used to determine the Scheme's liabilities will be agreed with the Company as the Scheme Sponsor. We expect the triennial valuation to be completed in the current year.

The funding level in the new triennial valuation will be adversely affected by two issues, that were highlighted last year: the effect of the reformulation of RPI by the Government and the potential increases to certain future pensions needed to achieve GMP equalisation.

The Trustee's current estimate is that the proposed change to RPI and the effect of GMP equalisation on the Scheme funding level is expected to be in the order of 1.5% of liabilities.

TPR is encouraging pension schemes to move to a more prudent funding level as they become mature. A higher level of funding reduces the future investment returns that a scheme needs to pay the members' benefits and therefore allows trustees to invest in lower risk assets. A prudently funded scheme that has achieved "low dependency" is less likely to need any further contributions from its participating employers to pay members' benefits.

The Pension Schemes Act 2021 introduces a framework that allows TPR to require trustees to set a funding and investment strategy designed to deliver greater security for members' benefits when a scheme is mature. This is described as a 'long-term objective' (LTO) in TPR's consultation.

TPR's March 2020 consultation document suggests that low dependency could be represented by a discount rate in the range of Gilts + 0.25% to Gilts + 0.5%. This is significantly more prudent than the current discount rate agreed with the Sponsor at the March 2018 valuation of Gilts + 1%. The Trustee estimates that adopting a discount rate at the levels suggested for mature schemes in TPR's consultation document, of between Gilts + 0.25% and Gilts + 0.5%, would increase the present value of the Scheme's liabilities by between 7% and 11%.

I should emphasise that TPR's proposals are still subject to consultation and that the new Funding Code is unlikely to be finalised before we complete the 31 March 2021 valuation.

There will also be changes from other actuarial assumptions that may partially offset these probable increases in liabilities. If additional funding is required, this can only come from a combination of increased returns from the Scheme's investments and contributions from the Participating Employers.

4. Other matters

COVID-19

I am pleased at the way the Trustee and its key service providers responded to the COVID-19 crisis.

Our third-party administrator, XPS, implemented its business continuity plan in late March 2020 and since then, most of their employees have been working from home. XPS has continued to pay pensions on time and has met its Service Level targets.

Chair’s review continued

The Scheme’s Executive Office also implemented its business continuity plan, with the team able to work remotely with full access to the required information and systems in a secure fashion.

Trustee board meetings and committee meetings were switched from face-to-face meetings to video conferences throughout the year to avoid unnecessary risk to participants.

Keeping Members informed

We have posted messages on both the Invensys Pension Scheme website (www.invensyspensions.co.uk/) and on the portal operated by our administrator (myPension.com/ips) to keep members informed. We encourage people to use myPension.com to obtain information on their pension where this is possible.

These messages include drawing members’ attention to the Pensions Regulator’s letter that warns of the dangers of making a hasty decision regarding your pension benefits and the need for good financial advice. We will send a copy of this letter to all members who request a transfer value quotation.

Pension scams

The Pensions Regulator highlighted the heightened risk of members being “targeted by scammers and unscrupulous financial advisers” as a result of the pandemic. We encourage you to remain vigilant regarding your pension benefits and be very careful when making decisions, you will find plenty of advice in this area on the Money Helper website www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam and should also be aware of the Pensions Regulator’s joint initiative with the Financial Conduct Authority on the dangers of pension scams, which can be accessed at www.fca.org.uk/scamsmart.

Security of benefits

For all our pensioners and most of our deferred pensioners the members’ pension entitlement is calculated on a ‘defined benefit’ basis. This means that neither the amount a pensioner receives each month nor the amount of a deferred pension will be directly affected by the fluctuations seen in the stock market and the value of other investments over the last two years.

Thank you to the Board

I am grateful to the Board for their effort and enthusiasm as they continue to tackle demanding technical issues and oversee significant projects in order to meet the Trustee’s responsibility of providing a safe and secure Scheme for its members.

/s/ Kathleen O’Donovan

Kathleen O’Donovan
Chair of the Board

17 August 2021

Trustee's report: the year in summary

The accounts in brief

£m	2021	2020	2019
Fund value at start of the year	**4,994**	**5,045**	**5,097**
Income			
Contributions paid by the Company and Scheme members	-	-	-
Transfers from other schemes	-	2	-
Income and capital gains from investments	124	264	246
Outgoings			
Benefits payable to members (pensions and lump sums)	(246)	(269)	(247)
Payments to leavers	(25)	(34)	(35)
Fees and expenses (administration, advisers, investment managers)	(19)	(14)	(16)
Fund value at end of the year	**4,828**	**4,994**	**5,045**
Less estimated value of Technical Provisions including AVCs and DC	(4,722)	(5,094)	(4,950)
Estimated surplus / (shortfall) as at year end	**106**	**(100)**	**95**
Funding Level	**102%**	**98%**	**102%**

Funding position

The Scheme Actuary provides the Trustee with an update of the Scheme's funding level each year. This is either a formal valuation, which is carried out at least every three years (the triennial valuation), or an annual estimate in the intervening years.

The last formal valuation was carried out at 31 March 2018. The amount required to cover the Scheme's liabilities is known as the Technical Provisions. In the 2018 valuation, the Technical Provisions amounted to £4,954m, giving a Scheme surplus of £143m and a funding level of 103%.

The next full valuation as at 31 March 2021 is underway and is expected to be completed later this year.

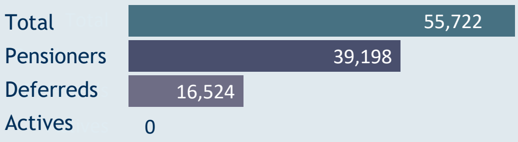
The Trustee continues to monitor the funding position of the Scheme using the assumptions that were put in place for the 2018 valuation to ensure the funding arrangements remain appropriate. The Scheme Actuary has estimated the Scheme had a surplus of £106m at 31 March 2021 using the 2018 valuation assumptions and updated market conditions.

The year in summary: membership profile

Number of members

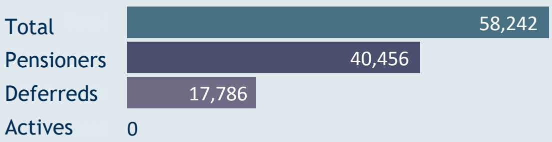
2021

55,722



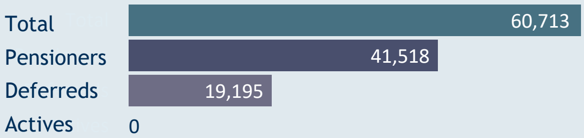
2020

58,242



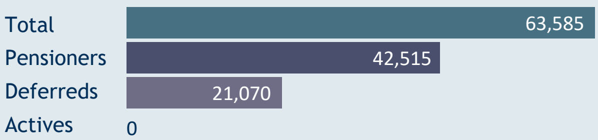
2019

60,713



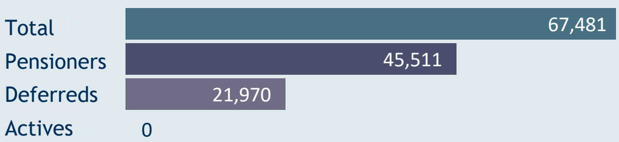
2018

63,585



2017

67,481

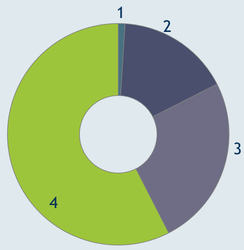


Age profiles

at 31 March 2021

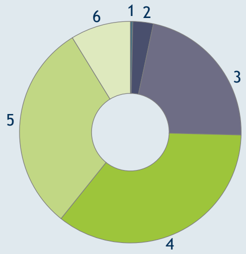
Deferreds

1.	31 - 40	162
2.	41 - 50	2,733
3.	51 - 55	4,123
4.	56 and over	9,506
Total		**16,524**



Pensioners

1.	50 and under*	142
2.	51 - 60	1,168
3.	61 - 70	8,651
4.	71 - 80	13,854
5.	81 - 90	11,947
6.	91 and over	3,436
Total		**39,198**



*Includes pensions payable to dependants of members

Changes in membership during year

	Deferred	Pensioners	Total
At 31 March 2020	17,786	40,456	58,242
Retrospective adjustments[1]	(301)	(121)	(422)
Deaths	(33)	(2,388)	(2,421)
Retirements	(760)	760	-
Spouse/dependant pensions	-	645	645
Leavers[2]	(168)	(154)	(322)
At 31 March 2021	16,524	39,198	55,722
Of which, members of the Defined Contribution (DC) Section total	171	-	171

[1] Retrospective adjustments: membership movements recorded after 1 April 2020, which relate to the 2019/20 Scheme year, of which 98 moved into the group of members more than 6 years past NRD.

[2] The leavers in the deferred column relate to 107 transfers out, 54 members who retired but converted their pension to a lump sum on retirement, 6 members who took a serious ill-health lump sum, and 1 took a refund of Protected Rights age-related rebate contributions. The leavers in the pensioner column relate to 143 new spouse/dependant members who opted to commute their pension under the trivial commutation provisions and 11 child pensions that ceased.

The membership table and charts above exclude the following members that are recorded on our administration system.:

3,273 members (at 31 March 2021) who were more than 6 years past their Normal Retirement Date and have not claimed their pension. The Scheme has so far been unable to contact these members but, where possible, makes attempts to trace them. Many of the pensions that would be payable to these members, if claimed, are relatively small.

717 pensioners (at 31 March 2021) who commuted their pension to cash but left a small contingent spouse liability only payable after their death.

The Scheme actuary has included an estimated liability for these members in the calculation of the Scheme's Technical Provisions.

The year in summary: investment summary

Value of pension fund

(£m)

2021 £4,828m

Scheme funding level

(%)

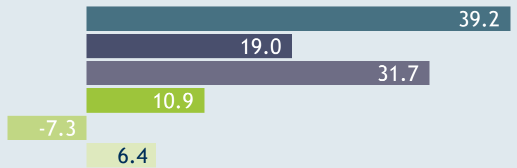
2021 102%

Based on the actuarial assumptions used for funding the Scheme.

Distribution of investments by type

(%)

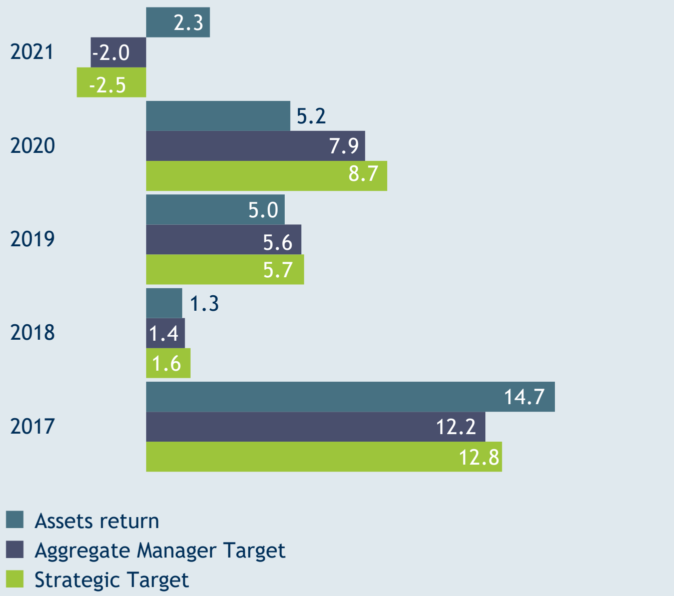
2021



UK Government fixed interest gilts	39.2
UK Government index linked gilts	19.0
Corporate and other bonds	31.7
Managed/Unitised Funds	10.9
Other absolute return funds	7.0
Loans	3.9
Repurchase Agreements and Derivatives	(7.3)
Repurchase agreements	-
Derivatives	(7.3)
Cash and Other	6.4
Total	100.0

Annual investment returns

(%)



Please see the Investment Report starting on page 16 for an explanation of the Strategic Target and the Investment Manager Targets and why these were negative in the year ended 31 March 2021.

Distribution of investments by investment manager

(%)

1	BlackRock Liability Matching Fund*	53.3
2	AXA (IG Bonds)*	14.4
3	M&G (IG Bonds)*	9.2
4	Amundi (IG Bonds)*	9.1
5	M&G Sleeve run-off*	0.6
6	Amundi (Broad Bonds)	2.6
7	Barings DAA	0.5
8	BlackRock DAA	2.4
9	BlackRock (Hedge funds)	0.7
10	M&G (Loans)	3.9
11	AXA PCS (Reg Cap)	0.9
12	BlackRock (Cash vehicle)	1.6
13	Money Purchase including DC & AVCs	0.2
14	AXA (Committed cash)	0.6

* These mandates are run on a segregated basis and the securities are held directly via the Scheme's custodian platform with BNY Mellon.

Trustee, the Board, its committees, advisers and investment managers

Trustee of the Scheme

Invensys Pension Trustee Limited is the Trustee of the Invensys Pension Scheme. The directors of the Trustee who served during the year are listed on this page.

Appointed by the Company

Kathleen O'Donovan (Chair of the Board)
Kathleen has been a member of the Board since 1991 and was appointed Chair of the Board in February 2003. As Chief Financial Officer of BTR and Invensys between 1991 and 2002, she has been deeply involved in the Scheme for many years. Previously a partner with Ernst & Young, Kathleen has held a number of non-executive directorships, including at ARM Holdings plc, Prudential plc, the Bank of England and O2 plc.

Trevor Lambeth
Trevor joined Schneider Electric in 1988 and has held various finance and systems roles throughout the business. From 1 July 2021 he was appointed Vice President Finance - Structural Efficiency having previously been Vice President – Finance for UK and Ireland. Trevor is a Chartered Accountant and a member of the Institute of Corporate Treasurers. He was appointed to the Board on 1 November 2018.

Andy Smith
Andy is a professional pension trustee, who previously worked for the Trustee as its Chief Executive Officer. Prior to joining IPS in 2012, he was the Chief Financial Officer at Rothesay Life and at Paternoster, two bulk annuity specialists. Andy's pension experience was built up at the Prudential, where he qualified as an accountant before ultimately becoming director of the Prudential's pensions business. He combines his work for IPS with his responsibilities at ITS, an independent trustee company. He was appointed to the Board on 1 November 2020.

20-20 Trustee Services Limited represented by Michel Picot
Michel has been a trustee of pension funds linked with French parent companies since 2007. He started his career as an auditor with KPMG and held various international Financial and Executive positions in listed groups, both in France and abroad. He is a Strategy and Management Consultant for High Tech developing companies and sits on various boards as an independent director. Michel is a representative of 20-20 Trustee Services Limited, an independent UK Trustee firm, which was appointed to the Board on 1 November 2018.

General Membership Director

Nathan Blackwell
Nathan worked for 12 years at Invensys' London HQ, where he was ultimately appointed as Director of Corporate Finance. He later joined Thales as UK M&A and Commercial Director and subsequently joined PwC as a director in their pensions consulting team. Nathan is currently working as a transformation director at PwC. He was appointed to the Board in December 2013.

Pensioner Directors

Nigel Casson-Moss (Deputy Chair of the Board)
Nigel has 30 years' experience as a Finance Director in the UK manufacturing industry. He became a Trustee Director of the T&N Retirement Benefits Plan in 1999. He subsequently became Pension and Benefits Manager for the T&N Group in 2001. He joined Invensys Pensions in January 2004 as General Manager, working for the Trustee Board, with executive responsibility for the Scheme, including the Administration Office in Newcastle. Nigel retired in September 2008 and was elected as a Pensioner Director of the Invensys Pension Scheme in February 2010.

Kevin Smith
Kevin was Group Financial Controller at Invensys from 2005, leaving in 2015 following the acquisition by Schneider Electric. He originally joined the Siebe finance team in 1987 and became part of Invensys following the merger with BTR in 1999. His tenure at Invensys provided extensive exposure to the Invensys Pension Scheme. After leaving Invensys he was Group Financial Controller at Sage for three years. He is also an Advisory Board Member at the Chartered Institute of Marketing. He was appointed to the Board on 24 September 2020.

Will Spinney
Will joined Invensys in 2000 and worked in the treasury department in the London HQ, first as Deputy Treasurer, then as Group Treasurer. He was heavily involved with the major refinancings in 2004 and 2006 and dealt with pension issues as part of those. He was a fiduciary of the Invensys US pension scheme while he was Group Treasurer. Since 2007, Will has been working for the professional body for corporate treasurers, writing and teaching extensively. Will was appointed to the Board on 6 December 2018.

Peter Vos
Peter is a Chartered Accountant and a trustee with financial responsibilities for four charities. He retired in 2012 from Parker SSD Drives, a former subsidiary of Eurotherm, where he worked for 31 years, holding a variety of senior financial roles until moving into general management to head SSD Drives Europe. After Invensys bought Eurotherm, he also worked as Chief Financial Officer at Baan in the Netherlands. As a Member-Nominated Trustee Director since February 2013, Peter brings substantial pension experience, having been a trustee of many of the schemes of his former employers.

Changes to the Board

Andy Smith and Kevin Smith were appointed to the board on 1 November 2020 and 24 September 2020 respectively to fill earlier vacancies on the board. There were no departures during the year to 31 March 2021.

Trustee, the Board, its committees, advisers and investment managers continued

Executive Office members

The Board and its committees direct the operation of the Scheme through its Executive Office (EO). The EO team currently comprises:

Thomas Mercier, Chief Executive Officer

Appointed as CEO 1 October 2018

Thomas joined IPS as Chief Investment Officer in November 2010 from Goldman Sachs International, where he advised corporations and their pension schemes. In addition to his role as CEO, Thomas continues to lead the Executive Office investment team.

Ann-Marie Burns, Chief Administrative Officer

Appointed 9 October 2017

Ann-Marie joined from Punter Southall Administration Limited (now XPS), where she was Regional Operations Manager.

Michael Walters, Chief Financial Officer

Appointed 1 October 2018

Before joining IPS, Michael held senior financial roles within a number of organisations including Comet Group plc.

Emilien Audeguil, Investment Strategist

Appointed 9 November 2020

Emilien joined IPS from the Pension Protection Fund.

Lin Ju, Investment Associate

Appointed 1 March 2013

Lin joined IPS from Goldman Sachs International.

Chrissie Sawyer, Administration Associate

Appointed 4 May 2020

Chrissie joined the EO in the year. She has experience of working with a variety of pension schemes.

Current Committee membership

	Investment Committee	Audit and Risk Committee	Pension Governance Committee	Nomination and Remuneration Committee	Company Liaison Committee
K A O'Donovan	✓(Chair)	✓(Chair)		✓(Chair)	✓(Chair)
N B Casson-Moss			✓	✓	
D N Blackwell		✓	✓		
T Lambeth		✓			
M Picot (20-20 Trustee Services Ltd)	✓	✓			
AJ Smith			✓(Chair)	✓	
KC Smith		✓			✓
W Spinney	✓				✓
P B Vos	✓		✓		

There are also two executive committees. The Asset and Liability Management Committee (members: T Mercier and M Walters) and the Data Management Committee (A-M Burns, T Mercier and M Walters).

Scheme advisers, investment managers and service providers

The Trustee receives advice and services from a number of sources. The major Scheme advisers, service providers and investment managers are listed below. Except where indicated, there have been no changes to these advisers.

Scheme Actuary
S M Leake FIA, XPS Pensions Ltd

Scheme Administrator
XPS Holdings Limited

Scheme External Auditor
Ernst & Young LLP

Scheme Internal Auditor
Crowe U.K. LLP

Legal Advisers
Norton Rose Fulbright LLP

Investment Adviser
River and Mercantile Investments Ltd

Employer Covenant Adviser
PricewaterhouseCoopers LLP

Secretarial Services
Punter Southall Governance Services Limited

Investment Managers
BlackRock Advisors (UK) Ltd
BlackRock Investment (UK) Ltd
Baring Asset Management Ltd
AXA Investment Managers UK Ltd
M&G Investment Management Ltd
Amundi (UK) Limited
River and Mercantile Investments Ltd
AXA Investment Managers Paris SA

DC & AVC Managers
Legal & General Investment Management Ltd (LGIM) *
Prudential Assurance Company Limited
Utmost Life and Pensions (to 28 April 2020)

* Funds managed by LGIM are held in policies with Legal & General Assurance (Pensions Management) Ltd.

Custodian and Collateral Manager
The Bank of New York Mellon London Branch

Bankers
Lloyds Bank plc

Trustee's report continued

The Trustee's first responsibility is to its members. The Trustee aims to provide a reliable investment performance, reassurance, and careful management of its resources.

About the Scheme

The Scheme is a registered occupational pension scheme. It was established by a Trust Deed on 31 March 1988, consolidating the main BTR, Dunlop and Tilling defined benefit schemes then in operation. At that time, the Scheme was named the BTR Group Pension Scheme.

On 6 April 2000, the Scheme merged with the Siebe Pension Scheme and was renamed the Invensys Pension Scheme. The Scheme was closed to new members on 1 November 2004, and to further accrual for existing members on 31 March 2015.

A Defined Contribution (DC) section of the Scheme was introduced from 1 April 2007. This was closed to further contributions on 31 March 2015.

The sponsoring employer of the Scheme is Invensys Limited (the Company).

Trustee arrangements

The Trustee of the Scheme is Invensys Pension Trustee Limited. Invensys Pension Trustee Limited is a company limited by guarantee. This company is a corporate trustee whose Board of Directors act together as Trustee of the Scheme.

The Trustee is responsible for the payment of benefits, safeguarding the assets of the Scheme, and monitoring whether the defined benefit section assets are sufficient to meet the Scheme's liabilities as they fall due. Details of how it meets its responsibilities in respect of the money purchase benefits are set out in the Statement regarding DC governance. The Trustee ensures that proper accounting records and controls are maintained by the Scheme's administration offices, in accordance with applicable laws and regulations, and takes such steps as are reasonably open to it to prevent and detect fraud and other irregularities.

The Trustee is also responsible for preparing audited financial statements showing a true and fair view of the financial transactions of the Scheme during the Scheme year. These financial statements must also show the amount and disposition of the assets and liabilities at the end of the year, other than liabilities to pay future pensions and benefits after the end of the Scheme year (which are separately calculated and certified by the Scheme Actuary).

The financial statements have been prepared and audited in accordance with Section 41 of the Pensions Act 1995. They contain information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

The Trustee has met its responsibilities in ensuring that contributions are made to the Scheme at least in accordance with Scheme Rules and the Schedule of Contributions.

During the year under review, the Board met seven times, the Investment Committee met five times, the Audit and Risk Committee met six times and the Pension Governance Committee met six times.

Board structure

Articles 35 to 38 of the Articles of Association of the Trustee Company govern the appointment and removal of Directors. The Board consists of a maximum of nine Directors. Four of these Directors, including the Chair of the Board, are appointed by the Company; one director is appointed from the entire Scheme membership; and four are appointed from the Scheme's pensioner membership. The appointing or nominating authority may also remove Directors from office, and Directors may also be removed in a number of other circumstances, including prohibition by law, bankruptcy, resignation, mental disorder and persistent absence from meetings.

Under the Trust Deed the Company has the right to change the Company-appointed Directors of the Trustee Company and also has the right to replace the Trustee Company with a new trustee. Any replacement trustee would, however, be subject to the requirements of both trust law and the pension legislation which is designed to protect members' interests.

All decisions the Trustee Board has taken during the year under review arose from a consensus of opinion. Under the Articles of Association of the Trustee, decisions may be taken by a majority vote.

Committee structure

The Board has established seven committees that meet regularly, or as required, in order to ensure the Scheme is managed efficiently. The committees consider both the Defined Benefit and Defined Contribution section matters.

The Investment Committee (IC) reviews the development and implementation of appropriate strategies for the investment of the Scheme's assets and to obtain advice, make decisions and give recommendations to the Trustee in respect of its investment responsibilities.

The Audit and Risk Committee (ARC) monitors the effectiveness of the Scheme's systems of risk management and internal control. In addition, the committee oversees the Scheme's internal auditor and the annual financial audit of the Scheme's accounts. It reviews the Scheme expenditure

Trustee's report continued

reports and ensures appropriate insurance for the Trustee is in place.

The Pension Governance Committee (PGC) oversees the administration of the Scheme and the security and quality of its data. It works to protect members' interests and respond to their queries.

The work of the IC, ARC and PGC in managing risk is described in more detail in "The management of risk" section below.

The Company Liaison Committee works directly with the Company on issues relating to Company policy and status. It also negotiates Scheme funding issues and can operate as a sub-committee of the Board for major transactions.

The Nomination and Remuneration Committee evaluates the balance of skills, knowledge and experience at the Executive Office (EO) and determines remuneration of the EO and makes recommendations to the Company regarding remuneration of the Trustee Directors.

The Asset and Liability Management Committee (ALCo) has three main responsibilities, delegated under its Terms of Reference. These are:

1. implementing the Investment Committee's investment decisions
2. making investment decisions in areas specifically delegated to the ALCo by the Investment Committee
3. monitoring and reporting on the Scheme's investment matters.

The Data Management Committee (DMC) has a remit to identify and implement projects to improve the quality of our data and the ways in which it is processed and to review the measures that ensure the security of data.

The ALCo and DMC are both Executive Office committees.

These committees make regular reports and proposals to the Board. Where appropriate, the Board then authorises the actions taken. Board members are considered to be the key management personnel of the Scheme for the purpose of Financial Reporting Standard FRS102. The Board and its committees direct the operation of the Scheme and implement its strategy through the Executive Office.

Actuarial liabilities and valuation

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, which represent the present value of benefits to which members are entitled. This is assessed at least every three years using assumptions agreed between the Trustee and the Company and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request. Annual updates are presented to the Trustee in other years.

The Scheme Actuary is independent of the Scheme and the Company. He assesses the funding position of the Scheme, i.e. the balance between assets and liabilities.

The latest full valuation was as at the effective date of 31 March 2018. Annual updates were performed as at 31 March 2019, 31 March 2020 and 31 March 2021.

In accordance with the Pensions Act 2004, the Trustee set the method and assumptions for the Scheme Actuary to calculate the Technical Provisions (the amount required by the Scheme to provide for the Scheme's liabilities on an on-going basis). These Technical Provisions were then agreed by the Company. In setting the method and assumptions, the Trustee took into account both the strength of the Covenant provided by Company, the other participating employers and the parent company guarantee of up to £1,750m, which it secured from Schneider Electric SE in January 2014.

A summary of the method and key assumptions is given below:

Method

The actuarial method used to calculate the Technical Provisions was the defined accrued benefits method.

Key assumptions

The assumptions agreed with the Company for the 31 March 2018 valuation were as follows:

- a discount rate set to be the yield available on the nominal fixed interest gilt yield curve plus 1.0 percentage point per annum
- an RPI inflation assumption derived from nominal and real gilt yield curves
- a CPI assumption, which has been derived by making a suitable adjustment to the RPI inflation assumption. A deduction of 0.75% per annum has been used for this valuation, which reflects a prudent adjustment given observed past levels and future expectations. The assumption could not be derived directly as there was no reliable market-based method for deriving an assumption for CPI price inflation
- pension increases assumptions based on the relevant inflation assumption and a model to allow for the pension increase collars (e.g. 3% and 5%) and future inflation volatility of 1.5% per annum
- the pre-retirement mortality table based on AC00 tables
- a post-retirement mortality assumption of 102% of the S2PA tables for males and 114% of the S2DA tables for females, both projected in line with the Continuous

Trustee's report continued

Mortality Investigation Model (CMI_2016) for future improvements with a 1.5% per annum long-term rate of improvement and a smoothing factor of 8.0.

The agreed assumptions gave rise to a funding surplus of £143m as at 31 March 2018. As the Scheme was in surplus, there was no requirement for deficit funding from the Company for the immediate future.

The next full valuation with an effective date of 31 March 2021 is in progress and is expected to be completed this year.

Solvency funding position

As at 31 March 2018, it was estimated that the amount required to secure the defined benefit obligations of the Scheme in full with an insurance company, in the event of the Scheme winding up, was £6,442m, which is a shortfall of £1,345m. This figure is just an indication and does not imply that the Trustee or the Company are considering winding up the Scheme.

Nomination of Directors of the Trustee Company

Invensys Limited may nominate up to 4 Trustee Directors, including the Chair of the Board.

When a vacancy arises for a Pensioner Director, any retired member of the Scheme who receives a pension from the Trustee may put himself/herself forward. His/her candidature must be supported by nominations from two other pensioner members who receive a Scheme pension. The Nomination and Remuneration Committee then carries out a selection process, which is given final approval by the Board.

Similarly, when a vacancy arises for the position of General Membership Director, any member of the Scheme may put himself/herself forward. His/her candidature must be supported by nominations from two other members of the Scheme and is subject to the Nomination and Remuneration Committee's selection process and to final approval by the Board.

Trustee attendance

Board and main committee attendance year to 31 March 21

	Trustee Board	IC [3]	ARC	PGC
Number of meetings/calls held	7	5	6	6
K A O'Donovan	7	5	6	*
D N Blackwell	7	*	6	6
N B Casson-Moss	7	*	*	6
T Lambeth	5 [1]	*	6	*
M Picot [2]	7	5	6	*
A J Smith (from Nov 20)	3	*	*	3
K C Smith (from Sep 20)	3	*	3	*
W E Spinney	7	5	*	*
P B Vos (PGC from Jan 21)	7	5	*	2

Notes to the table

* The Director is not a member of that committee and attends as an invitee only.

[1] Trevor Lambeth did not attend two board meetings due to a potential conflict of interest

[2] Michel Picot represents 20-20 Trustee Services Limited

[3] A Company representative also attends the IC

Trustee training, knowledge and understanding

Our Trustee training programme takes account of the particular needs of each Board member and the committees on which he/she serves. Newly appointed Directors receive a comprehensive induction programme. The Board's training policy then requires each Director to undertake a number of days' training each year based on his/her experience and requirements.

The Board members receive internal training at routine meetings and strategy sessions and also attend external training courses and seminars. Directors are encouraged to undertake the Trustee Toolkit training provided by the Pensions Regulator. Some Board members receive additional development from their external board positions.

Trustee Director	Total training days 01/04/20 – 31/03/21
K A O'Donovan	1.4 days
D N Blackwell	1.3 days
N B Casson-Moss	1.3 days
T Lambeth	0.7 days
M Picot	1.4 days
A J Smith (from Nov 20)	2.2 days
K C Smith (from Sep 20)	5.3 days
W E Spinney	7.6 days
P B Vos	11.0 days

Remuneration of Trustee Directors

During the year ended 31 March 2021, the following payments were made:

Chair of the Board – received £94,050*.

Deputy Chair of the Board – received a salary of £9,595* and a per diem rate.

* The Chair's and Deputy Chair's salaries were reduced by 20% in the first quarter of the financial year in recognition of the potential impact of COVID-19.

Pensioner Directors – received a per diem rate.

General Member Director – received a per diem rate.

Company Nominated Directors –20-20 Trustee Services Limited was paid £6,250 per month for its services as a director. AJ Smith received a per diem rate. T Lambeth was remunerated by the Company.

Trustee's report continued

Communication

The Board ensures that we communicate with all members on a regular basis. During the year, the Scheme issued one newsletter which incorporated the Annual Review of the Scheme. The Scheme has a website: www.invensyspensions.co.uk. Members can also contact the Scheme by email, by phone or in writing. Contact details are set out on page 69.

An online facility called MyPension.com is available to all pensioner and deferred members. It provides members with secure access to view their personal data, including payslips and P60s (pensioners) and deferred benefit and CETV information (deferred members).

Scheme governance

The Scheme's governance is defined as the structure, behaviour, policies and procedures adopted by the Trustee in pursuit of its objectives. It includes:

- holding the assets securely on trust, employing a custodian for their safeguard and investing them appropriately given the Scheme's specific circumstances
- monitoring the Company Covenant risk
- ensuring that the Scheme's liabilities are fully understood, and its data is accurate and reliable
- monitoring the balance between assets and liabilities and, jointly with the Company, making provision to meet the future costs of the Scheme
- monitoring the other risks that would result in the assets not being sufficient to meet the liabilities
- ensuring that the correct levels of benefits are being paid on time to members
- ensuring that benefits are paid to the correct members
- ensuring the appropriate level of communication with its members and the Company is delivered with an appropriate frequency
- ensuring the Scheme complies with the complex framework of law and regulations applicable to the UK pension scheme industry.

The Trustee is committed to ensuring the Scheme's governance objectives are met by managing risk effectively using efficient decision-making processes and adopting pension industry best practice, where this is appropriate for the Scheme.

Governance of the DC section and the other Scheme money purchase benefits is described in the Statement regarding DC Governance Statement (page 36).

The management of risk

The Trustee has overall responsibility for internal control and risk management. In accordance with guidance, it operates an integrated risk management framework and receives routine risk reporting of the risks the Scheme runs. It is committed to identifying, evaluating and managing risk and to implementing and maintaining control procedures to reduce significant risks to an acceptable level.

As part of its overall risk management responsibilities, the Trustee uses a risk register as a tool to oversee the key risks to the Scheme. The Scheme's risk register covers areas such as:

- operational risks including pension administration
- corporate sponsor
- external factors affecting the Scheme's investments
- internal factors affecting the Scheme's investments
- scheme funding and valuation.

The Trustee has delegated the oversight of managing investment risks to the Investment Committee – see the Investment report and notes to the financial statements for more details.

The Trustee has also delegated oversight of non-investment governance-related matters to the Audit and Risk Committee (ARC). These matters include ascertaining that the Scheme complies with Scheme Rules and statutory regulations and reviewing the existing process and procedures of the Scheme to ensure they are well documented, relevant and effective.

The ARC monitors the evolution of risk at each meeting. During the year the ARC has developed its assessment of the Trustee's appetite for different risks and considered the "velocity" or pace at which risks can evolve.

The ARC also oversees:

- the operational risk review
- the Scheme's annual budgeting process and business planning by the Executive Office
- the Annual Report process
- the review of the performance of the Trustee (and its committees), its advisers and the Executive Office
- the scrutiny of the cyber security and business continuity arrangements that are in place at the Trustee and its service providers.

The Pension Governance Committee (PGC) manages risk by overseeing the work of the Scheme Administrator. The PGC has responsibility for:

- monitoring the Scheme Administrator's performance including adherence to the Service Level Agreement;
- reviewing the Scheme's operations in the light of best practice guidance and changes in regulations;

Trustee's report continued

- ensuring, in conjunction with the Scheme Administrator and the DMC, compliance with data protection regulations regarding member data.

The committees work together where their remits overlap, for example protection of members' data which is considered by the PGC and the ARC, with a focus on cyber security, with support from the executive Data Management Committee.

Audit function and processes

The Scheme's external auditor, Ernst & Young LLP, performs a financial audit each year. In addition, the Scheme uses Crowe U.K. LLP to act as its internal auditor to review its controls and processes.

Compliance statement

The Scheme is a registered pension scheme. The Trustee knows of no reason why such status should be prejudiced or withdrawn.

Trust Deed and Rules

On 22 August 2016, the Trustee and the Company signed the Fourth Definitive Trust Deed and Rules of the Scheme. The Trust Deed and Rules brought the Scheme up to date with current legislation and amalgamated a number of Deeds of Amendment that had occurred since the Third Definitive Deed and Rules were completed in 2006.

Members can request a copy of the Trust Deed and Rules from Invensys Pensions. This is a substantial document and an appropriate copy charge will be made.

Contributions

On 31 March 2015, the Scheme closed to future accrual and there were no active contributing members from that date.

During the year, no reports had to be made to the Pensions Regulator in respect of late payments of contributions.

The summary of contributions on page 66 states contributions payable under the Schedule of Contribution dated 18 October 2018.

Pension increases and transfer values

Under the Scheme Rules, pensions in payment are generally increased annually by reference to the percentage change in inflation over a 12-month period measured to the end of December in each year. (This excludes the Guaranteed Minimum Pension portion, which receives statutory increases in line with Pension Increase Orders published by the UK Government).

The Scheme has multiple sections with varying rules relating to pension increases. For members who joined the Scheme before 6 April 2000, the pension in payment increase in excess of GMP will generally be a minimum of 3% and a maximum of 5%. For members who joined the Scheme on or after 6 April 2000 the annual pension in payment increase will generally be capped at 5%.

In 2015, the Trustee also introduced a Pension Increase Exchange option for members retiring after that date. This gives members the option to exchange future pension increases for a higher initial pension, which will not increase by as much in the future.

The average increase applying to pensions on 1 April 2020 was 1.91%. The lowest increase was 0% and the highest was 5%.

For the majority of deferred members, their deferred pensions in excess of GMP are revalued in line with the cost of living (calculated, depending on the requirements of the rules of the relevant section of the Scheme, by reference to the Consumer Price Index or the Retail Price Index) up to a maximum of 5% p.a. No discretionary increases were awarded in the year.

Statutory cash equivalent transfer values provided during the year to 31 March 2021 were calculated in accordance with the provisions of Part IV Chapter IV of the Pensions Scheme Act 1993, as amended by the Pensions Act 1995 and the Pensions Act 2004 with relevant regulations and guidance issued by the Pensions Regulator on a basis determined by the Trustee after having taken advice from the Scheme Actuary.

There were no discretionary increases or benefits allowed for in the calculation of transfer values for the year ending 31 March 2021.

Disputes and complaints procedure

We operate an Internal Dispute Resolution Procedure (IDRP) in accordance with the provisions of the Pensions Act 1995. Before a formal complaint is considered, we advise members to contact our Scheme administrator to see if the matter can be resolved informally.

During the course of the year under review, three formal complaints were received by the Scheme administrator on behalf of the Trustee, of which two were resolved during the year and one just after the year-end. One complaint was partially upheld and the other two were dismissed. Five complaints were carried forward from the 2019/20 year, of which three had been referred to the Pensions Ombudsman. Those three cases are still awaiting the Ombudsman's determination; there are delays at the Ombudsman's service and complaints are taking significantly longer than usual to be heard. The remaining two IDRP complaints were resolved to the satisfaction of the members and Trustee. Details of the Scheme's IDRP are available from the Scheme administrator.

For and on behalf of Invensys Pension Trustee Limited

/s/ Kathleen O'Donovan

Kathleen O'Donovan
Chair of the Board

17 August 2021

Investment report

The Trustee aims to secure members' future benefits by reducing risk and delivering consistent, reliable investment performance.

The Invensys Pension Scheme is a mature scheme. On 31 March 2015, the Scheme closed to future accrual. All active members became deferred members, and the Scheme stopped receiving ongoing contributions from the active membership. The Scheme is a substantial net payer of benefits. This therefore erodes its asset base naturally every year. We can measure the extent of its maturity in the net payments made each year: approximately £271m (6%) of its current asset base was paid out in this financial year. The outflows were a little lower than last year as fewer members transferred their benefits out of the Scheme during this year.

Scheme investment strategy

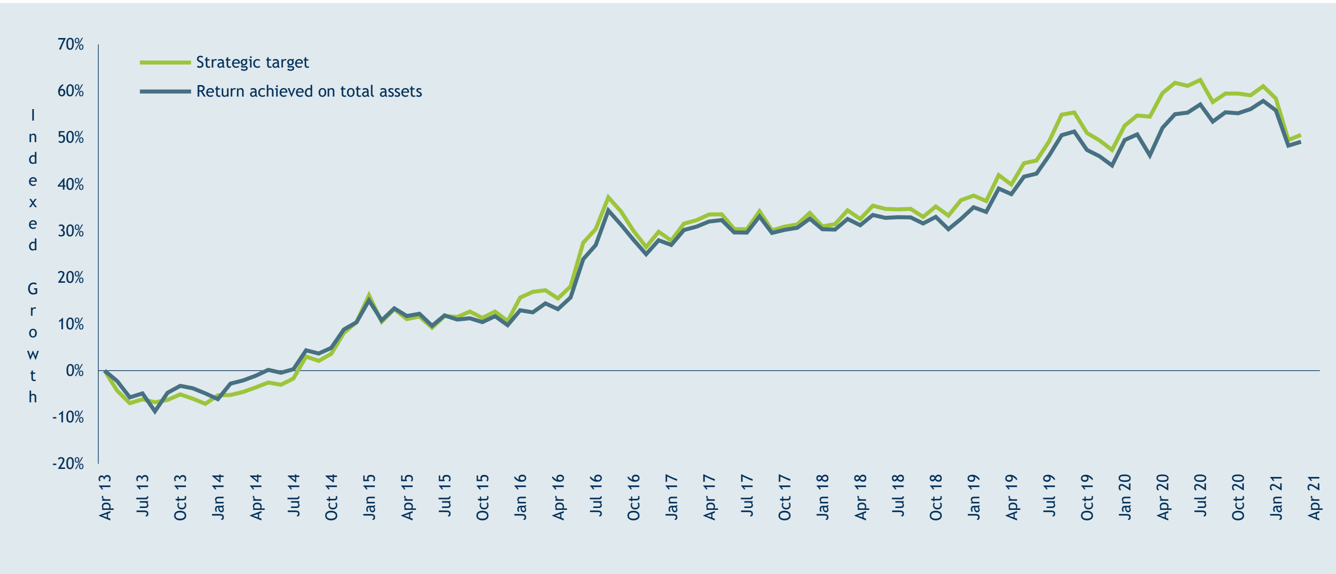
The Scheme's investment objective is to achieve investment returns that ensure the assets of the Scheme are sufficient to meet each member's benefits and the Scheme's expenses as they fall due over time.

The Scheme's Technical Provisions imply a required return on investments equivalent to UK Government gilt yields +1.0 percentage point per annum. The Trustee sets a Strategic Target, which is to deliver this return over the long term. The Trustee's investment policy for the Scheme's Defined Benefit section is designed to achieve the Strategic Target. In order to deliver gilts +1.0 percentage point, the Trustee has to invest in assets that have an element of risk associated with them. The risks, and the framework for managing them, are described in detail in the notes to the financial statements.

This Strategic Target is primarily driven by:

- the Scheme's profile:
  - the nature of the liabilities
  - the structure of the membership base
- the Trustee's overall risk tolerance
- the Trustee's evaluation and perception of the covenant provided to the Scheme.

From the Strategic Target, the Trustee derives a Strategic Asset Allocation. This is designed to deliver asset returns of gilts +1.0 percentage point per annum over the long term, and therefore to perform in line with the liabilities measured on a Technical Provisions basis. The chart below shows that the Scheme assets' performance has tracked the Strategic Target very closely over time. It had deviated further away from the Strategic Target over Q1 2020 as a result of COVID-19. The assets recovered well during the financial year, with their cumulative performance broadly catching up with the Strategic target. This performance is further explained below. The chart starts from the end of April 2013, which coincides with the contribution into the Scheme on 3 May 2013 of £400m and the creation of a Reservoir Trust of £225m following the sale by Invensys plc of its Rail division. At that time, the investment strategy was revisited and the Trustee took the opportunity to reduce investment risks.



Investment report
continued

At the investment level, the Trustee sets specific performance targets for each underlying investment manager (Investment Manager). These specific targets naturally have shorter time horizons than the Strategic Target. The aggregation of these targets determines the Scheme's Investment Manager Target (IMT).

Year on year, the IMT might be above or below the Strategic Target. The Trustee is responsible for:

- long-term monitoring of the performance of the assets against the Strategic Target, equivalent to the Technical Provisions (as explained above).
- ongoing monitoring of the performance of the assets against the IMT (see Investment Managers' performance section).

The Strategic Target corresponded to a return of -2.5% in the year to 31 March 2021. Its negative value reflects primarily the impact of higher gilt yields. Higher gilt yields decrease the present value of the pensions that the Scheme is expected to pay. The IMT corresponded to a return of -2.0% and was higher (less negative) than the Strategic Target because the IMT had a lower sensitivity to movements in gilt yields and therefore decreased less than the Strategic Target when gilt yields rose during the year. This is because, in accordance with our investment policy, the Scheme was not 100% covered against movements in gilt yields. The Trustee's approach of allowing the level of interest rate coverage ratio to be set within the range 80-105% of liabilities can generate gains as well as losses, however the Trustee expects to achieve a gain over the long term. This approach is further detailed in the section "Interest rate and inflation risk" within Note 15 of the financial statements. The interest rate coverage ratio was around 94% throughout out the year.

The Trustee determines the investment strategy after taking advice from a professional investment adviser. The investment strategy and objectives, together with details of the investment process, are set out in the Statement of Investment Principles, which has been prepared in accordance with the requirements of section 35 of the Pensions Act 1995. This document is updated regularly. A copy is available on the Scheme's website. The Implementation Statement in respect of the SIP during the financial year is included from page 25 onwards within this annual report.

Strategic asset allocation

To a large extent, the Trustee has invested in assets with a profile that closely matches the Scheme's liabilities by using bonds or 'bond-like' assets. This approach helps the assets to match the valuation movements in the liabilities, thereby reducing the volatility of the Scheme's funding position.

The Trustee is not able to match fully the liabilities of the Scheme with its assets. This is mainly because of the requirements agreed with the Company, which means the Trustee needs to target a performance return on the Scheme's assets equal to the discount rate used for the valuation of the liabilities on a Technical Provisions basis, currently gilt yield +1.0 percentage point per annum.

The Scheme's investments are classified in two categories:

1. A Liability Matching Fund (LMF). This is used to mitigate the Scheme's interest rate and inflation risks. The LMF is composed exclusively of assets perceived to have a relatively low risk:
   - UK Government gilts
   - Network Rail bonds
   - cash
   - cash equivalent instruments.

   BlackRock, the asset manager managing this portfolio, is also permitted to use derivative instruments, such as interest and inflation swaps, and gilt repurchase agreements. The LMF, which represented 53.3% of the Scheme's assets at 31 March 2021, is held directly via the Scheme's custodian platform with BNY Mellon.

Investment report continued

2. An Investment Portfolio. This aims to access the risk premium of a diversified portfolio of return-seeking assets. It also seeks to benefit from the additional performance available from active management, where considered appropriate. The total Investment Portfolio represented 44.3% of the assets at 31 March 2021.

   Mandates using primarily investment grade (IG) bonds made up 33% of the assets and were managed by:

   - AXA
   - M&G
   - Amundi.

   The remaining 11% comprised:

   - a Fixed Income Global Alpha (FIGA) Fund (Hedge Funds: BlackRock)
   - two Dynamic Asset Allocation mandates (DAA: Barings and BlackRock)
   - a broad bond portfolio (Amundi)
   - a loans mandate (M&G)
   - a fund investing in bank regulatory capital release transactions (AXA PCS).

   0.2% of the Scheme's assets were allocated to DC and AVC plans and 2.1% were held in cash to satisfy the Scheme's short-term payment obligations or pending investments.

   All investments made in the year under review were made in accordance with the Scheme's Statement of Investment Principles.

Responsible Investment

Financially material investment considerations

The Trustee believes that environmental, social and governance ("ESG") factors can have a significant impact on the performance of its investments and the consideration of ESG factors can enhance the risk and return profile of its investments. The Trustee believes that, in the case of the Scheme, such factors are primarily relevant to the allocation decisions between sectors and companies, which will typically be delegated to its Investment Managers, with the exception of passive mandates. The Trustee expects its Investment Managers, when exercising discretion in the mandates that they manage for the Scheme, to integrate all relevant and material financial factors, including ESG factors, such as climate change, into the investment decision making process. This is intended to identify investment opportunities and financially material risks. This will influence the selection, retention and realisation of investments. The Trustee also considers how potential new Investment Managers incorporate ESG factors into their investment process before selecting an Investment Manager. As part of its regular monitoring process the Trustee requests that Investment Managers demonstrate their approach to incorporating ESG factors when exercising discretion in the mandates that they manage for the Scheme over the relevant investment horizon. Depending on the findings, the Trustee may take steps to seek improvement. The Trustee's expectations and monitoring process will depend on the mandate type and investment horizon.

Corporate governance and stewardship policy

The Trustee believes that in order to act in the best financial interests of the Scheme's members it must act as a responsible asset owner. The Trustee, as a policy, delegates the exercise of voting rights of the underlying holdings and engagement with investee companies and other stakeholders as appropriate to its Investment Managers. The Trustee expects its Investment Managers to exercise these rights and to engage with the investee companies or any other relevant persons on relevant matters so as to protect and enhance the value of the Scheme's investments. The Trustee monitors the actions taken by the Investment Managers, on a regular basis as part of the ongoing Investment Manager reviews at the IC and ALCo meetings. As part of this, the Trustee also monitors the Investment Managers' voting records or their reports on responsible investments (such as UN PRI reports), and will seek explanations and

Investment report continued

discussions, as appropriate. The Trustee's expectations and monitoring process will depend on the mandate type, in particular in respect of the asset class(es) involved and the degree of discretion given to the Investment Manager. Where the Trustee is a unit holder of a fund, it seeks to retain the use of voting (and other) rights associated with the operations of that fund. The Trustee makes decisions on the use of such rights on those funds based on advice from its Legal and/or Investment Advisers as appropriate.

Non-financial matters

Non-financial matters are defined in the Investment Regulations as the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Scheme. The Trustee does not take into account these "Non-financial matters" when making investment decisions.

Investment Managers' performance

The assets are managed by independent Investment Managers under the guidance of the Trustee and its Investment Adviser. The Scheme's Investment Managers are continuously reviewed over 12-36 month rolling periods. Medium to long periods of review are essential, as they enable managers to be judged over a business cycle.

The Investment Managers' performance in any given year is expected to be a function of the capital markets environment and their ability to navigate the markets to deliver relative outperformance.

The Scheme's assets achieved a return of 2.3% over the year net of all fees and costs. This was 4.3 percentage points and 4.8 percentage points above the Investment Manager Target and the Strategic Target respectively. Over the past 3 years, the Scheme's assets outperformed those targets by 0.3 and 0.2 percentage points per annum respectively (see page 16 for graphical analysis). The drivers for this performance are detailed below.

During the financial year, financial markets staged a significant reversal of their performance in the previous twelve months. A number of factors contributed to this, including the scope and magnitude of measures by government seeking to support the finances of individuals and companies through the COVID-19 pandemic and the monetary stimulus either through lower interest rates or quantitative easing by large central banks. In addition to this, the discovery and roll-out of COVID-19 vaccines, which appear to have had some success in limiting the impact of the pandemic, have brought further hope that the crisis will come soon to an end. Uncertainty remains as at the time of writing this report, and many countries are still experiencing new waves of contamination and are implementing restriction with a negative impact on economic performance.

Whilst COVID-19 was the main focus and driver of the markets, other events not directly related to it took place during the year that are worthwhile mentioning. The UK and the European Union reached a trade deal just before the end of transition period of 31 December 2020. Whilst this removed the risk of a "no-deal", it was particularly light on financial services. Progress in this area will be monitored during the year. The US presidential election took place in November 2020, with Joe Biden defeating Donald Trump. With this followed the announcements of large government spending plans, which will boost economic activity in the US, and potentially elsewhere.

As at 31 March 2021, global equity markets were up by more than 50% relative to 31 March 2020. Credit spreads (the extra yield that companies need to pay to borrow in excess of that on equivalent Government bonds) for investment-grade rated and sub-investment grade rated companies had reduced by c.180bps and c.540bps respectively since their levels at 31 March 2020. UK gilt yields increased across most maturities by between 10 and 60bps.

The Investment Management Target is split between the target for the LMF and the target for the Investment Portfolio. The LMF had a total return of -4.5% over the year, outperforming its target of -4.8%. This was largely because the LMF held some gilts for the purpose of generating a return over swaps over the long term. During the financial year, as the spread between gilt and swaps fell significantly, the manager of the LMF was able to sell some of those gilts and lock-in a profit. Gilt repurchase agreements which had been used to fund the original purchase of those gilts were also paid down. Over the past 3 years, the LMF had a total return of 4.7% p.a., outperforming its target of 4.1% p.a.

Investment report continued

The Investment Portfolio had a total return of 11.5% for the year. This return was 10.0 percentage points above the target of 1.5%. The returns for all the mandates within the Investment Portfolio were well above their target, with the exception of AXA PCS. In the case of the IG Bonds, Broad Bonds and Loans mandates, the outperformance was largely due to the tightening of credit spreads. The two DAA funds benefited from both credit spread tightening and equity prices rising. The performance of AXA PCS, whilst positive, was 1.9 percentage points below its target of 7.7%. This was due to a market value adjustment as a result of or in anticipation of possible losses in some of the bank loan portfolios insured by the fund.

Since May 2013 the investment strategy and manager performance has contributed to maintaining the funding level of the Scheme within a narrow range with assets between 97.4% and 103.0% of the liabilities. Whilst the Scheme's Technical Provision funding ratio has recovered to the pre-COVID level, the Trustee is mindful of the uncertainties that remain regarding how prominent COVID will be in the future, the breadth and robustness of the economic recovery, and the impact of the gradual withdrawal of economic and monetary stimuli. The Trustee will continue to act prudently to protect the Scheme's funding level, whilst looking for investment opportunities to enhance it.

Investment Managers' historical performance

		Holdings at 31 March 2021		12 months to 31 March 2021		3 years to 31 March 2021[1]	
Investment Manager	Asset class	£m	% of total	Actual %	Target %	Actual % p.a.	Target % p.a.
Liability Matching Fund (LMF)							
BlackRock		2,573	53.3	(4.5)	(4.8)	4.7	4.1
Investment Portfolio							
AXA	IG Bonds	693	14.4	7.5	0.7	2.9	2.9
M&G	IG Bonds	445	9.2	9.7	0.9	3.6	2.6
Amundi	IG Bonds	438	9.1	10.5	0.3	5.3	4.1
M&G Sleeve run-off	IG Bonds	28	0.6	17.6	2.0	1.4	2.6
Amundi	Broad bonds	126	2.6	18.5	3.1	2.9	3.6
Barings	DAA	26	0.5	36.2	4.2	2.4	4.7
BlackRock	DAA	113	2.3	15.6	3.1	6.8	3.5
Blackrock (FIGA)	Hedge funds	35	0.7	24.4	5.3	1.6	5.6
M&G	Loans	190	3.9	15.4	4.1	4.8	4.5
AXA PCS	Reg Cap	46	1.0	5.8	7.7	6.3	8.1
Investment Portfolio[2]		**2,140**	**44.3**	**11.5**	**1.5**	**3.6**	**3.5**
Cash[3]		103	2.1	0.0	0.1	0.3	0.4
Managed assets[2]		**4,816**	**99.7**	**2.3**	**(2.0)**	**4.1**	**3.8**
DC & AVC investments		12	0.2				
Annuity policies		3	0.1				
Net financial assets		**4,831**	**100.0**				
Net current assets and other[4]		(3)	0.0				
Net assets of the Scheme		**4,828**	**100.0**				

The numbers in this table may not add up exactly because of rounding differences. The returns have been calculated using the Modified-Dietz method.

1 Or since inception if the performance monitoring period is shorter.

2 The target for the Investment Portfolio and the managed assets reflects the Investment Manager Target.

3 Includes cash committed to be invested in the AXA IG Bonds when market conditions are met

4 Net current assets include cash in the Trustee Bank Account and a reserve for GMP equalisation.

Investment report
continued

Key initiatives during the year

- **Review of asset allocation and actions to enhance risk and return profile.** As the macro environment and market conditions evolved dramatically during the year, the Trustee re-assessed in various occasions the Scheme's asset allocation, risks and opportunities. It decided as a result to undertake a number of re-allocations. In some cases, the re-allocations sought to increase the return target as market conditions were deemed attractive enough. This was the case in June 2020, when £60m was re-allocated from the LMF towards IG bonds. This also followed the re-allocation in late March 2020 of £75m from the LMF towards IG bonds. Other re-allocations sought to capture a more favourable risk-return profile or to set-aside some cash for investment opportunities that may arise in the future. This included the re-allocation of £60m from the DAA funds to the Loans fund in different steps during the year. An additional £47m were divested from a DAA fund, £27m of which has been left in cash pending future investment opportunities. The remaining £20m, alongside £10m divested from Hedge Funds, were made available to an IG Bonds manager to invest in certain securitised assets, under certain conditions. £3m had been invested by this manager as at 31 March 2021.
- **Ongoing focus on cash flow generation**. The Trustee has a long-standing policy of matching the next few years of benefit payments with predictable asset cash flows and maintaining a cash buffer. This means in particular that the Scheme has avoided being a forced seller of assets. The Trustee also regularly reviews the efficiency of its asset allocation in delivering both the required returns and cash flows to pay pensions. This dual objective was an important factor in the reallocations described above.
- **Reduce the use of gilt repurchase agreements within the LMF.** The LMF manager had purchased a few years ago additional gilts to benefit from the positive spread between gilt yields and swap rates. This activity had been funded by the use of gilt repurchase agreements. The tightening of spreads between gilts and swaps during the year gave the manager the opportunity to sell gilts and remove swaps at a profit for the Scheme and to terminate all the outstanding gilt repurchase agreements. This will reduce funding costs for the Scheme and funding-related risks. The Trustee reviewed and tightened the manager's ability to use such instruments going forward.
- **Transition from LIBOR.** The Trustee continue to amend the terms of its segregated mandates in anticipation of the phasing-out of LIBOR, in 2021 in GBP and later in other currencies. As part of this, the terms of some outstanding derivative contracts entered by managers on the Scheme's behalf were amended to replace LIBOR. The Scheme also adhered to an ISDA Fallbacks Protocol that will facilitate the conversion of the other outstanding derivatives. The terms of some of the Scheme's pooled fund holdings were also amended during the year. This will continue during the financial year 2021-2022.

Custody arrangements

Trust law and the Pensions Act 1995 impose specific duties on the Trustee to safeguard the assets of the Scheme. Since 2001, the Trustee has appointed a global custodian. The global custodian holds the Scheme's assets that make up the various portfolios managed by the Investment Managers. Since 1 September 2006, the Bank of New York Mellon has been the Scheme's global custodian. In September 2018 the legal entity which held our assets changed to the London branch of the US based The Bank of New York Mellon.

The custodians are responsible for the safekeeping and administration of assets. They ensure that assets are only released with appropriate authorisation.

The administrative functions of the custodians include:

- settlement of transactions
- collection of income arising from the investments
- recovery of any tax paid that is due
- reporting and accounting for the Scheme's investments.

The Scheme uses some pooled and collective investment arrangements, where custody services are arranged through the fund provider.

Investment report
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The Trustee, together with its Investment Adviser, keeps the effectiveness of the custodial arrangements under review. The custodians are required to publish a report on their internal controls which has been audited by a third-party auditor in accordance with agreed standards.

Largest investments

The Scheme had no investments with a value greater than 5% of the net assets of the Scheme, other than individual issues of gilts.

An analysis of investments is shown in the notes to the Scheme's financial statements on pages 55 to 59. The aggregate amounts of sales and purchases of investments during the year are also shown in those notes.

Defined Contribution and Additional Voluntary Contribution Investments

The arrangements regarding the management of investments related to money purchase benefits including the Defined Contribution (DC) section and Additional Voluntary Contributions (AVCs) made by Defined Benefit members are described in the Statement regarding DC Governance on pages 36 to 45. The Investment performance of the individual funds held by the Trustee on behalf of members are monitored by the Investment Committee.

Information regarding Voting

Further information related to the management of investments is available in the Implementation Statement on page 25 to 34, including voting on behalf of the Trustee and the application of the Statement of Investment Principles during the year.

Arrangements with Investment Managers - Defined Benefit Section

Aligning manager objectives and incentivisation

The Scheme Investment Strategy and Strategic asset allocation sections above describe how, in aggregate, the LMF and the Investment Portfolio ("IP") are designed to achieve returns in the long and medium terms, while taking into account the Scheme's benefit payment obligations.

In particular:

- The arrangement with the LMF Investment Manager includes a benchmark which is designed to mitigate against the impact of interest rate and inflation risks inherent in the liabilities of the Scheme, within relevant risk tolerances;

- The arrangements with the IP Investment Managers include a benchmark or target. When aggregated together with the LMF, these benchmarks or targets are designed explicitly in most cases (and implicitly in a smaller number of cases) to achieve over a 3 to 5 year time horizon, the targeted rate of investment return.

- The IC and ALCo each maintain a biennial schedule for review of the Investment Managers (with the intention that each manager is reviewed on an annual basis by at least one of the Committees). Performance is assessed against those benchmarks or targets and the relevant risk tolerances. These reviews also include the Investment Manager's stewardship of assets. Where managers are assessed by the IC as being less likely to achieve their objectives and/or there is evidence of not having achieved them historically, removal of assets or termination of mandates is considered. The Investment Managers are made aware of the importance of these measures of return and risk and are required to manage their portfolio with these in mind, and report against them on an ongoing basis.

- The Trustee prefers the use of segregated mandates where possible and practical as specific requirements can be set in the agreement with the Investment Managers. Those requirements may cover considerations related to return, risk, liquidity, redemption payments to be made to meet Scheme benefit payments over set time horizons and terms that are relevant for the asset classes invested in, including but not limited to equity and debt instruments. In particular for debt instruments in these segregated mandates, the risk and other limits in the Investment Manager agreements,

Investment report
continued

together with regular ongoing engagement with the Investment Managers are designed to give the Investment Manager scope to add value over a 3 or 5 year period (or longer where relevant) rather than over shorter reporting periods;

- For the majority of the Scheme's mandates with Investment Managers there are explicit performance fee arrangements in place whereby the Investment Manager is directly incentivised to generate additional returns. By having these performance fee arrangements in place, the Trustee aim to ensure the Investment Managers are focused on protecting and enhancing the value of the Scheme's investments.

Stewardship

The Trustee's engagement activities in respect of the Scheme's investments are set out in the Responsible Investment section above.

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of the Investment Managers' ongoing business activities. As the Investment Managers are regulated by their respective regimes, these are directly monitored as part of their regulatory filings (where available) and the IC and ALCo include this as part of the Investment Manager review at inception and from time to time as appropriate.

Turnover monitoring

The IC maintains a schedule of reviews of Investment Managers as part of which portfolio turnover and other cost information is requested from the Investment Managers and is reviewed by the IC and/or the ALCo. These are monitored to confirm whether they were in-line with reasonable expectations and expected market practices. The Trustee does not operate turnover ranges with the Investment Managers, but instead considers turnover statistics alongside other data on risk and returns.

Tenure of current DB Managers' arrangements

The Trustee has an ongoing relationship with its Investment Managers. In most of the Scheme's arrangements with its Investment Managers, there is no scheduled termination date and the Trustee has the unilateral right to terminate its investment at a short notice. The segregated mandates also tend to include a schedule of redemptions.

Arrangements with Investment Managers – MPB section

Aligning money purchase benefit (MPB) manager objectives and incentivisation

Recognising the relatively small value of the assets relating to MPB and, in order to limit costs for members and to maximise ease of implementation and liquidity for members, it is the Trustee's preference to invest in pooled investment vehicles.

The Trustee recognises that due to the collective nature of these investments, there is less scope to directly influence how the Investment Manager invests, or the ongoing Investment Manager incentivisation structure. However, before selecting and when deciding whether to continue investing with an Investment Manager, the Trustee reviews the investment objectives, guidelines and benchmarks of the Investment Manager and considers the extent to which they are consistent with the Trustee's policies where possible and practicable. In particular:

- The lifestyle options as described in the Chair's DC Governance Statement and the Implementation Statement are structured so as to vary the asset allocation over time in line with the Trustee's policies for MPB members and the time horizon of a typical MPB member over the term to expected retirement. The changes in asset allocation are made by changes to the allocations to various underlying pooled funds.

- The IC reviews the performance of the Investment Managers and the funds relating to MPB on at least an annual basis, and the overall structure of the provision of funds of the MPB at least every three years. Where funds or allocations are no longer deemed appropriate these are amended. Performance is considered over short and longer term time horizons.

- Providing low cost investment options is an important objective for the Trustee. The Trustee has chosen predominantly passive funds as a result. The Trustee monitors these costs and charges on an annual basis and will take this into account (alongside Investment Manager performance as reviewed by the IC and ALCo) when considering

Investment report
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whether to remain invested with a particular Investment Manager or to look for alternatives which are more aligned with the Trustee's objectives and/or provide better value for money of MPB members

Stewardship

The Trustee's engagement and stewardship activities in respect of the Scheme's investments are set out in the Responsible Investment section above.

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of the Investment Managers' ongoing business activities. As the Investment Managers are regulated by their respective regimes, these are directly monitored as part of their regulatory filings (where available) and the IC and ALCo include this as part of the Investment Manager review at inception and from time to time as appropriate.

Turnover monitoring

The Trustee/IC receives a report from the Investment Managers each year as part of the Scheme's Annual reporting process which includes details of portfolio turnover (and details such as total costs incurred per fund by members). Subject to regulatory requirements, this may also be set out in the Trustee's Annual Report and Accounts. The Trustee does not operate turnover ranges with the Investment Managers but instead considers turnover statistics alongside other data on risk and returns.

Tenure of current MPB Investment Managers' arrangements

The Trustee has an ongoing relationship with its MPB Investment Managers. In most of the Scheme's arrangements with its Investment Managers, there is no scheduled termination date and the Trustee has the unilateral right to terminate its investment at a short notice.

The Trustees arrangements with Investment Managers as noted in the above sections (for both defined benefits and MPB) are described more fully in the SIP (as updated from time to time).

Implementation Statement

This is the first Implementation Statement for the Scheme and in order to help set the scene for the reader it contains background information on some areas and the rationale for the Trustee's views. Future versions of the Implementation Statement are likely to be shorter and focus on the specific actions taken over the year only.

1 Introduction

This document constitutes the Implementation Statement for the Invensys Pension Scheme ("the Scheme") for the year to 31 March 2021. The Scheme is a 'relevant scheme' for the purposes of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and this document was prepared in accordance with those regulations.

Under those regulations, the Trustee is required to do the following:

- set out how, and the extent to which, in the opinion of the Trustee, the statement of investment principles "(SIP)" has been followed during the year,
- describe any review of the SIP undertaken during the year and any other review of how the SIP has been met,
- explain any change made to the SIP during the year and the reason for the change, and
- where no such review was undertaken during the year in accordance give the date of the last review,
- describe the voting behaviour by, or on behalf of, the Trustee, including the most significant votes cast by the Trustee or on their behalf) during the year and state any use of the services of a proxy voter during that year.

2 Changes to the Statement of Investment Principles

The Trustee reviews the SIP at least triennially, or immediately following a significant change in investment strategy or regulations. The SIP was amended on 23rd September 2020, primarily in order to reflect new regulatory requirements. The previous version of the SIP had been updated on 23rd September 2019. The main changes were the following:

- Describe the Trustee's policies with regard to the arrangements with its asset managers in areas including the alignment with the Trustee's objectives and the monitoring, evaluation and remuneration of the asset managers;
- Amend the description of the Trustee's policies regarding the exercise of voting rights and its engagement activities in respect of the Scheme's investments.

The Scheme's sponsor was consulted and the Trustee received advice from its legal and investment advisers prior to amending to SIP.

The current SIP is available on the Scheme's website at https://www.invensyspensions.co.uk/.

3 Implementation of the Statement of Investment Principles

The Trustee is of the opinion that it has acted in accordance with the SIP throughout the year.

The Trustee's governance framework around investments was unchanged during the year. There was a greater level of investment activity than in previous years in order to assess the impact of the COVID-19 pandemic and to take the actions deemed necessary. As a result of COVID-19 meetings took place either via video conference or over the phone.

The following sections provides details of key areas of the Trustee's focus over the course of the year to 31 March 2021 to give some examples of how the Trustee has actively considered and sought to implement its stated objectives and beliefs as described in the SIP. This information is split between Defined Benefits ("DB") and Money Purchase Benefits ("MPB"). Details on the voting and engagement by, or on behalf of, the Trustee, including the most significant votes are provided in the Appendix.

Implementation Statement
continued

4 DB Section

A Overall objectives, investment beliefs and principles, and risk categories

Whilst the SIP has been amended to include the details specifically required by Regulations, this has not changed in a material way the Trustee's objectives, investment beliefs and principles which remained the same during the year. A Triennial Actuarial Valuation for the Scheme is taking place as at 31 March 2021.

When setting its Investment Policy, the Trustee has regard to a number of key risks. The Scheme's exposure to those risks is monitored at least on a quarterly basis by either the Trustee Board or one of its sub-committees, or as part of the regular reviews of the asset management mandates. During the year, with the support of its investment advisers, the Trustee focused on the potential impact of the COVID-19 pandemic, in order to assess the adequacy of its asset allocation and its approach to manage certain risks and opportunities. Examples of the areas of focus of the Trustee during the year were:

- Solvency and asset/liability risk: The Trustee closely monitored the evolution of the Scheme's funding level as market conditions changed. The Trustee's investment adviser provided analyses of the likely performance of the Scheme's investments and of the evolution of the Scheme's funding level, under different scenarios for the pandemic and the macro-environment. It also performed stressed analyses to assess the robustness of the Scheme's investments and funding level. As a result of those analysis, certain actions were taken during the year, which are described in the following section.

- Covenant risk: The Trustee considered, with the support of its covenant adviser, the potential impact of the pandemic on the financial strength of Invensys Limited, the Scheme's corporate sponsor, and the £1.75bn guarantee from Schneider Electric. The Trustee remained of the view that the covenant remained sufficiently strong to continue to support the Scheme and its current level of investment risk.

- Liquidity risk: The Trustee has a long-standing policy of matching its outflows for the following three years primarily with scheduled redemptions from its asset mandates invested in high-quality bonds, and to a lower extent, distributions from other funds. A buffer is also held in cash to cover potential shortfalls. The Trustee sought confirmations from the asset managers that they would be able to meet the required redemptions, in light of the heightened risks. The Trustee received the required redemptions and was able to meet its benefit obligations, as planned and without being forced to sell any asset.

- Counterparty risk: The Trustee regularly monitors the exposure to the banks, with which the Scheme has derivatives or gilt repurchase agreements outstanding. It also monitors the credit quality of those banks using a combination of credit ratings and premia of credit default swaps. During the year, the exposure to banks did not change materially and the Trustee believes that the strength of its counterparty banks remained sufficiently high.

B. Investment Policy

The Trustee has delegated to its Investment Committee (the "IC") the implementation of the Investment Policy. The IC is required to operate within a set of restrictions, which are set out in the SIP and cover the following:

1. The Permitted Strategy Type;
2. The Targeted Rate(s) of Return on Investments;
3. The Risk Tolerances;
4. The Permitted Investable Risk Classes;
5. The Investment Management Structure;
6. The Asset Allocation.

Those restrictions will be reviewed as part of the 2021 triennial actuarial valuation. The IC has operated within those restrictions throughout the year.

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continued

The table below shows the asset allocation as at 31 March 2020 and 31 March 2021.

SIP Risk Class	SIP Asset Class	Working Range (%)	Allocation (31.03.21)	Allocation (31.03.20)
Off-risk assets and instruments (Liability Matching Fund)	Assets considered to be the least risky by the Trustee, such as bonds issued by the UK Government or guaranteed by it, collateralised GBP interest and inflation derivatives, gilt repurchase agreements; and cash.	40-65	53	57
Equity	Developed markets equity mandates (including synthetic equity exposure)	0 - 15	0	0
	Emerging markets equity mandates (including synthetic equity exposure)	0 - 7.5	0	0
Credit	Investment Grade Bonds (including asset backed and mortgage backed) Mandates*	15 - 40	33	31
	Absolute Return Credit Mandates	0 - 10	7	5
	Sub Investment Grade Bonds Mandates	0 - 5	0	0
Absolute Return	Fund of hedge funds	0 - 10	0	0
	Single hedge funds (including derivative-based hedge fund strategies)	0 - 5	1	1
	Dynamic Asset Allocation	0 - 15	3	4
Commodities	Commodity Funds and derivatives	0 - 10	0	0
Illiquidity	Investments which cannot be liquidated within 12 months in normal market conditions without significant penalties	0 - 5	1	1
Cashflow and Asset Allocation Liquidity	Cash and money market funds/instruments	0 - 10	2	1

**Investment Grade Bond mandates may include sub-investment grade bonds (within limits).*

No allocation was made to the Overlay Portfolio, which remained at 0%.
In addition, the Interest Rate and Inflation Coverage Ratios were maintained within the limits of 80% - 105% set within the SIP. They stood at 94% and 101% respectively as at 31 March 2020, and at 95% and 98% respectively as at 31 March 2021.

The changes in allocation were due to a combination of factors, including scheduled redemptions to fund benefit payments, market movements and re-allocations implemented during the year by the Trustee. Those re-allocations were decided as a result of the analysis mentioned in the previous sections. Their primary purposes were either to increase the expected return on assets, in markets that had significantly fallen in value and were perceived to offer an attractive risk/return profile, or to reflect relative value differences between asset classes. The main re-allocations were the following:

- Re-allocation in June 2020 of £60m from the Liability Matching Fund to an Investment Grade Bonds Mandate;
- Re-allocation in January 2021 of £50m from a Dynamic Asset Allocation fund to a Loans mandate, which is classified within the "Absolute Return Credit Mandates" category.

C Arrangements with investment managers

The Trustee has delegated the day-to-day management of the Scheme's assets to professional investment managers.
The Trustee uses a combination of pooled funds, where the Scheme invests alongside other investors, and segregated mandates, where the Scheme is the sole investor. The Trustee prefers the use of segregated mandates where possible and practical, as specific requirements and Scheme specific incentive arrangements can be set in the agreement with the managers.
When selecting pooled funds, setting the terms of segregated mandates, and deciding upon the relative allocation between them, the Trustee reviews and engages with its investment managers to ensure that they are aligned with its objectives, investment beliefs and principles and approach to risk management and that appropriate incentives are in place. A particular focus is given to the consistency with the Trustee's overall long-term return objective of Gilts plus 1.0% p.a. and any-medium-term objective, the adherence to the Interest Rate and Inflation Coverage Ratios targets, and the need to generate cash flows to pay benefits. All the DB Section mandates used during the year required active management, albeit with a varying degree.

Implementation Statement continued

No investment management mandate was added or removed during the year.
The table below provides an overview of the investment management mandate that were used during the year for the DB Section and an indication of their primary contributions to those strategic considerations.

Asset manager	SIP Asset Class	Segregated / Pooled	Primary contribution to strategic considerations
BlackRock	Liability Matching Fund	Segregated	Cash flow generation, interest rate and inflation risk management
	Dynamic Asset Allocation	Pooled	Return generation
	Single Hedge Fund	Pooled	Return generation
	Cashflow and Asset Allocation Liquidity	Pooled	Liquidity management
AXA	Investment Grade Bonds	Segregated	Cash flow generation, interest rate risk management and return generation
	Illiquidity	Pooled	Return generation
M&G	Investment Grade Bonds	Segregated	Cash flow generation, interest rate risk management and return generation
	Absolute Return Credit Mandates	Segregated	Return generation
Amundi	Investment Grade Bonds	Segregated	Cash flow generation, interest rate risk management and return generation
	Absolute Return Credit Mandates	Segregated	Return generation
Barings	Dynamic Asset Allocation	Pooled	Return generation

The Trustee has delegated the exercise of voting rights of all the underlying holdings and engagement with investee companies and other stakeholders as appropriate to its investment managers. The Trustee believes that it is more appropriate for the DB Section active managers to carry out these activities as part of their investment process including taking relevant factors such as Environmental, Social and Governance ("ESG") considerations into account and the response from investee companies in respect of any such voting or engagements. Broader stewardship activity including engagement carried out by the DB Section active managers on behalf of the Trustee is reviewed by the Trustee on an annual basis, details of these reviews is set out below. Details on voting activity and engagement as required for this Implementation Statement are provided in the Appendix.

Each of the DB Section active mandates was reviewed by either the IC or the ALCO during the year. The reviews included the following: the past performance of the mandate relative to its benchmark or target and adherence to key risk metrics, the key investment decisions made by the manager and the assets' turnover, the extent to which relevant and material financial factors were incorporated in the investment process, and the outlook for the mandate. As part of the review process, the DB Section active managers were required to provide some evidence of how ESG considerations have been taken into account in the investment process as well as broader stewardship activity, specifically engagement activity. They were also asked to provide metrics linked to the carbon footprint of their investments and, where possible, how it compares to the metrics of a benchmark.
The investment performance of all mandates was also reviewed by the Trustee on a quarterly basis.

The Trustee made some changes to the DB Section mandates during the year, the main of which were the following:

- The criteria and limits relating to gilt repurchase agreements that apply to the Liability Matching Fund manager were amended in order to reduce the use of such instruments. This was done after the opportunity to generate a return from using those instruments has reduced, as a result of the tightening of the spread between gilt yields and swap rates.

- The return target of some segregated mandates was amended during the year in anticipation of the phase-out of LIBOR in various currencies. This is also included the conversion of some derivative instruments, in order to remove the reference to Libor.

- An Investment Grade Bond manager's capacity to invest into securitised bonds within the Investment Grade Bonds was increased during the year, as a result of the spread widening in such bonds. This was done as part of the £60m re-allocation previously mentioned. The investment manager was also given the possibility to invest in BB-rated Collateralised Loan Obligations, once a minimum return threshold has been met.

5 Money Purchase Benefits

Certain members of the Scheme have entitlements to money purchase benefits ("MPB") emanating from:

- Additional Voluntary Contributions ("AVC") made by DB members to supplement their DB pension;
- Contributions to a Defined Contribution ("DC") section of the Scheme that was set up to allow DB members to retain their accrued rights for past service as a deferred defined benefit, and pay lower member contributions for future service;
- Other legacy benefits including parts of contributions made by DB members that could not be repaid when short service refunds were made and certain former Protected Rights. Those are referred to as Other Defined Contributions ("ODC")

At 31 March 2021	DB Scheme AVCs	DC Section investments	Other legacy benefits secured by DC investments	Total Money Purchase Benefits
Number of members	671	171	402	1,244
Investments	£5.6m	£5.6m	£1.2m	£12.4m

The MPB have been closed to new contributions since the closure of the DB Section in March 2015.

A Selection of investment options

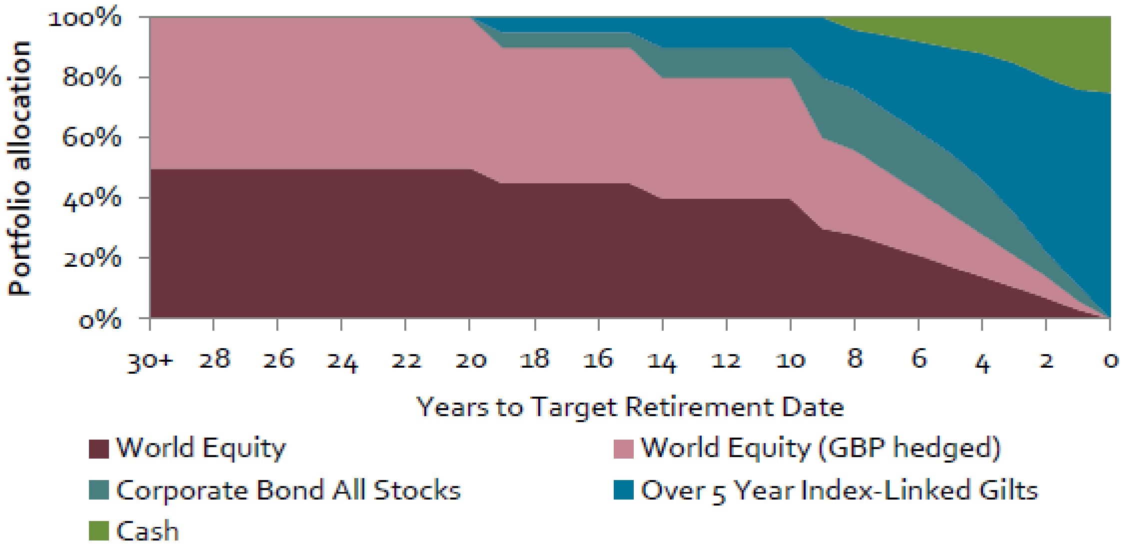
The Trustee offers to those members different investment options to satisfy their particular objectives and risk tolerance. The fund options are described below. The majority of these funds are passively managed in order to reduce costs and improve member value for money. No new investment managers have been appointed during the period under review.

Asset Category	Fund Name	Type of MPB to which option is available to
UK Equity	LGIM UK Equity Index	DC, AVC
Global Equity	LGIM Global Equity Fixed Weight (50:50) Index	DC
	LGIM World Equity Index – GBP Hedged	DC, AVC
Ethical Equity	LGIM Ethical Global Equity Index	DC, AVC
Bonds	LGIM Corporate Bond All Stocks Index	DC, AVC
	LGIM Over 5 Year Index Linked Gilts Index	DC, AVC
	LGIM All Stocks Gilt Index	DC, AVC
	LGIM Over 15 Year Gilts Index	AVC
	LGIM Pre-Retirement Fund	AVC
Multi-Asset	LGIM Multi Asset Fund	DC, AVC, ODC
Property	Property UK Property[1]	AVC
With Profits	Prudential With-Profits Cash Accumulation Fund[2]	AVC
Cash	LGIM Cash	DC, AVC
Cash	Prudential Deposit Fund[2]	AVC
Cash	Utmost Secure Cash Investment, until April 2020	AVC
Cash	Utmost Money Market Fund, until April 2020	AVC

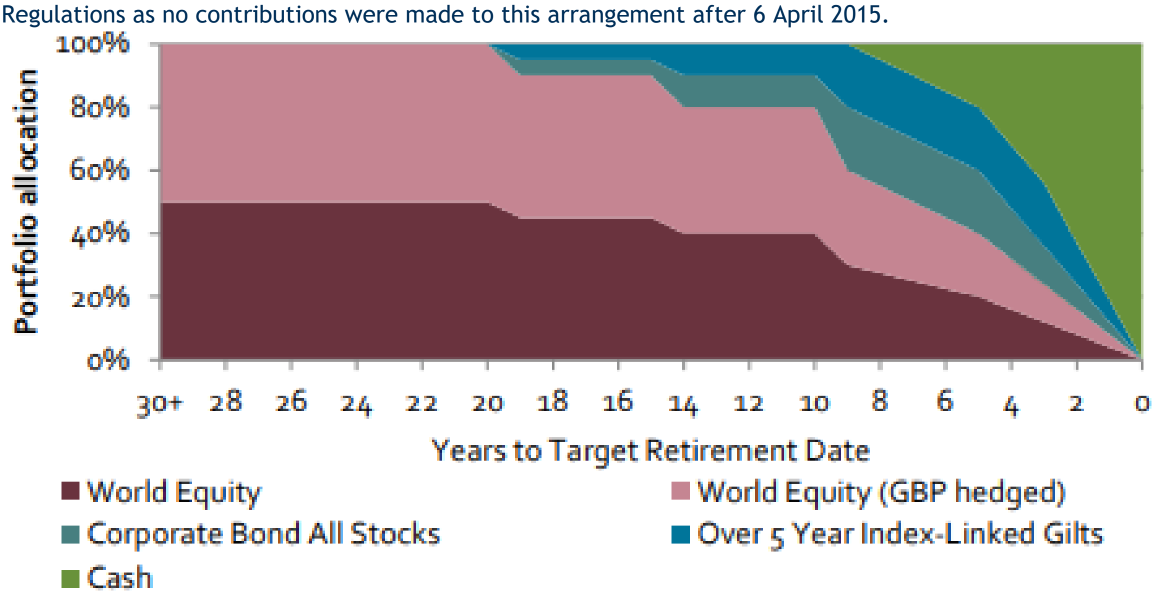
[1] Closed to new investments.[2] Only available to members with investment in this fund.

Implementation Statement
continued

The Trustee also makes available two “lifestyling” options, whereby the allocation is gradually moved from higher risk investments (equities) to lower risk investments (gilts and cash) as a member approaches its target retirement date. The first of those two options results in a combination at normal retirement age of gilts and cash, and would be more appropriate for members seeking to buy an annuity at retirement.



The second option results in a fund made up entirely of cash, and would be more appropriate for members seeking to use their MPB pot as part of their tax free lump sum at retirement. This reflects what the vast majority of members of the Scheme have done in recent years. It is therefore used as the default option for those members who do not make an explicit choice regarding the investment of their funds. It does not qualify as default arrangement under Regulation 1 of the Investment Regulations as no contributions were made to this arrangement after 6 April 2015.



There is a high degree of overlap in the investment options offered across the different types of MPBs within the Scheme. The differences reflect the different histories and purpose of those benefits.

As at 31 March 2020, some AVC members held units in cash funds provided by Utmost Life and Pensions (“Utmost”). These holdings corresponded to the transfer on 1 January 2020 of Equitable Life With-Profits policies to Utmost and their conversion into unit-linked policies. The Trustee had previously decided, having received advice from its investment advisers, to give the concerned members access to the LGIM and Prudential range of funds, rather than those offered by Utmost. This is because the Trustee believed that the range of funds already available to members offered them better value and sufficient diversity of choice. It also decided that the members’ holdings would be kept in cash until the transfer of policies can be implemented. This transfer was completed in May 2020. The members were kept informed of the choices available to them.

Implementation Statement
continued

During December 2020, the Trustee was informed that Prudential was closing the property fund that the Scheme's members had invested in. The members were informed of Prudential's decision to close the fund and of their investment options. The closure of the property fund and that the re-investment of the proceeds took place in June 2021.

B Review of investment options

The Trustee commenced during the Scheme year a formal triennial review of investment options associated with MPB. The Trustee has concluded in May 2021 that the range of options available to members with MPB remains suitable, offering access to a broad range of traditional asset classes across the risk/return spectrum, as well as lifestyle options that incorporate automatic de-risking of assets on members' behalf. As part of this triennial review the Trustee has considered the integration of ESG into the process of the active MPB mandates and was satisfied that ESG factors were being adequately considered.

This review also considered the approach of how MPB members took their benefit at retirement and this showed that, over the period of the review, all MPB members had taken their benefit as tax free cash in the first instance, supporting the choice of default lifestyle strategy as evolving towards 100% cash at normal retirement age. No changes were proposed to be made to the investment options as a result of the review. The Trustee completed a formal Value for Members review in respect of the MPB funds, as at 31 March 2020 and as at 31 March 2021 in July 2020 and June 2021 respectively.

C Reviews of stewardship, performance and turnover

The Trustee reviewed in May 2021 the voting and engagement activity of the MPB fund mandates for the year to 31 March 2021. Details on voting and engagement are provided in the appendix. No action was required following this review. The performance of the DC assets was reviewed in each quarterly meeting by the IC over the period in question. In respect of the other MPB assets, for the year ending 31 March 2020, performance was reviewed in May 2020 by the Trustee. For the year ending 31 March 2021, this was reviewed in May 2021 by the Trustee. No changes were needed following these reviews.
Information on transaction costs and other costs in the year to 31 March 2020 was reviewed as part of the production of the Statement regarding DC Governance within the 2019/2020 Annual Report and Accounts. For the year ending 31 March 2021, this information was reviewed as part of the 2020/2021 Statement regarding DC Governance. Turnover statistics were reviewed as part of the annual review of Value for Members as at 31 March 2021.

Implementation Statement
Appendix – Summary of Voting Activity and Engagement

The Trustee has delegated the exercise of voting rights of the underlying holdings and engagement with investee companies and other stakeholders as appropriate to its investment managers.
Where the Trustee is a unit holder of a fund, it seeks to retain the use of voting (and other) rights associated with the operations of that fund. This concerns 10% of the Scheme's assets.
During the year, the Trustee exercised its voting rights as a unit holder of the Barings Alpha Fund on one occasion. It voted for the two resolutions that were proposed and suggested that the mandate of the auditor of the fund be re-tendered.

The summary of voting activities carried out by the Trustee's investment managers is provided below. Only managers that carry out regular voting activity have been included i.e. those with equity holdings, namely Barings, BlackRock DAA within the DB section, and the LGIM equity funds, the LGIM multi-asset fund and the Prudential With Profits fund within MPB.

For the relevant DB mandates, the proportion of assets invested in equities was 1.2% and 1.0% as at 31 March 2020 and 31 March 2021 respectively of total Scheme assets. In the case of MPB, the LGIM equity holdings represent c.£6.5m with a further c. £2.3m invested in the multi-asset fund as at 31 March 2021. The Prudential With Profits fund represented c£350,000 at 31 March 2021.

Proxy voting

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship (BIS) team, which consists of three regional teams - Americas, Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA"). They make use of several proxy advisory services but that is to help them collate and analyse data. BlackRock do not use external providers for voting decisions.

Barings has been using from 1 July 2020 Institutional Shareholder Services ('ISS') for all voting activity. Prior to that Barings used Glass Lewis.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM has put in place a custom voting policy with specific voting instructions.

DB Section - voting data, year to 31 March 2021

	BlackRock DAA	Barings DAA
Number of meetings eligible to vote	977	93
Number of resolutions eligible to vote	12,398	885
% of resolutions voted	96.63%	96.6%
% voted with management*	93.28%	92.2%
% voted against management*	5.87%	7.8%
% votes abstained from*	0.88%	0
% of meetings where manager voted at least once against management	29%	38.88%
% of resolutions where manager vote contrary to the recommendation of its proxy adviser? (if applicable)	n/a	0.94%

**Percentages in this table may not add to 100% because of rounding*

Implementation Statement
Appendix - Summary of Voting Activity and Engagement

MPB - voting data, year to 31 March 2021

	LGIM Global Equity Fixed Weights (50:50) Index	LGIM Multi-Asset	LGIM Ethical Global Equity Index	LGIM World Equity Index	LGIM UK Equity Index
Number of meetings eligible to vote	3,641	11,238	1,274	3,421	943
Number of resolutions eligible to vote	44,680	114,616	18,215	40,987	12,574
% of resolutions voted	99.97%	99.76%	99.92%	99.84%	100%
% voted with management*	83.56%	81.73%	83.77%	81.38%	92.94%
% voted against management*	16.29%	17.71%	15.95%	18.07%	7.05%
% votes abstained from*	0.15%	0.56%	0.27%	0.55%	0.01%
% of meetings where manager voted at least once against management	5.46%	6.35%	5.13%	6.04%	3.27%
% of resolutions where manager vote contrary to the recommendation of its proxy adviser? (if applicable)	0.44%	0.20%	0.55%	0.34%	0.80%

**Percentages in this table may not add to 100% because of rounding*

For the Prudential AVCs, the voting activity is relevant to the With Profits fund only. A high level of voting on eligible resolutions was observed (over 80%), low level of votes abstained from (1%) and a reasonable level of challenge to management with votes against at 7%.

Most significant votes

Barings has set out votes in relation to board composition across a number of companies as their most significant over the year. Votes in relation to companies in the transport, car manufacturing, chemicals, renewable energy and financial sector were provided as the significant ones. For example, for a chemicals company, they voted against the appointment of a director given the insufficient gender diversity and lack of a diversity policy.

BlackRock's most significant votes during the Scheme year related to a wide range of topics. Votes in relation to Barclays, Chevron, Daimler, Woodside Petroleum, L'Air Liquide SA, Facebook, Amazon, Proctor & Gamble and Alphabet were cited as most significant. For example, BlackRock voted for the shareholder resolution for Proctor & Gamble to provide a report on Efforts to Eliminate Deforestation.

LGIM has provided the Trustee with examples of the most significant votes for each of the equity and the Multi-Asset funds within the DC section. There is significant overlap given the underlying holdings are very similar across the equity range and within the Multi-Asset fund. Examples include votes against management for both Samsung Electronics and ExxonMobil. Specifically, for Samsung, LGIM voted against the resolutions in relation to director appointments. In LGIM's view those directors had collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company in LGIM's view. For ExxonMobil, LGIM voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.

Implementation Statement
Appendix – Summary of Voting Activity and Engagement

Engagement with investee companies

This section provides some examples of engagement by the investment managers with companies, the debt or equity of which was held within the funds managed on behalf of the Trustee:

DB Section:

- AXA has been engaging with an international bank to encourage them to reduce financing activities to carbon intensive sectors. In March 2020, AXA supported the shareholder resolutions on the agenda relating to climate change risks. AXA also sent a letter to the bank detailing their voting at the AGM and explaining in detail their position on the proposals raised as well as their expectations from the bank both with respect to the details of the shareholder resolutions as well as follow up steps. AXA continued to engage with the bank on the topic over the course of the year including tracking progress and commitments which led to the bank publishing a new climate change statement in the last quarter of 2020. As a result of the commitments made in this new statement and in follow up calls with the bank prior to their most recent AGM, AXA determined that sufficient progress had been made for AXA to support and accompany the bank on their continued journey towards meeting the Paris Agreement goals.
- BlackRock regularly reviews Amazon's governance structure and risk profile. In prior engagements with the company's board and management, BlackRock has discussed a range of material issues driving long-term shareholder value, including corporate governance practices, sustainability efforts, enterprise risk management, and human capital management. During their most recent engagement, in addition to discussing human capital management, BlackRock discussed the topics raised in the shareholder proposals to be voted on at the annual meeting and the company's oversight and management of those issues that are relevant to their business model. This included the company's plans to improve its disclosure on food waste and food diversion management and its efforts to monitor the use of certain technologies and enforce compliance with its product policies. In BlackRock's view, Amazon has demonstrated a commitment to adopting best practices in corporate governance (e.g. 90% board independence, 50% board gender diversity, and balanced board tenure). As a result of past engagements, the company has agreed to enhance its governance policies.

MPB:

- LGIM's engagement with Procter & Gamble Company (P&G) included voting on a shareholder resolution to require P&G to report on its efforts to eliminate deforestation. LGIM voted in favour of the resolution. P&G uses both forest pulp and palm oil as raw materials within its household goods products. 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. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. LGIM spoke to representatives from the proponent of the resolution, Green Century. In addition, LGIM engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could. The company has not responded to the CDP Forests disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies they invest their clients' assets in are not contributing to deforestation. 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 is from FSC certified sources. The resolution received the support of 67.68% of shareholders (including LGIM). LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.

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.

Statement regarding DC governance

Money Purchase Benefits under the Scheme

The next 10 pages of these accounts from pages 36 to 45 are a Statement regarding DC Governance. This statement is given in accordance with the requirements of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) ('the Administration Regulations') to provide members who have money purchase benefits under the Scheme with information about the investment arrangements and to explain how these benefits are governed and administered.

This statement covers the money purchase benefits under the Scheme described above, including the DC Section of the Scheme ('the DC Section') and the Additional Voluntary Contribution arrangement of the DB Section ('the AVC arrangement')[1].

This statement covers 1,244 of our members that have money purchase benefits under the Scheme with a value of £12.6m at 31 March 2021 (see details below).

Certain members of the Scheme (as detailed in the table below) have entitlements to money purchase benefits emanating from:

- Additional Voluntary Contributions (AVCs) made by Defined Benefit (DB) section members to supplement their DB pension;
- contributions to a Defined Contribution (DC) section of the Scheme that was set up to allow DB members to retain their accrued rights for past service as a deferred DB benefit, but pay lower member contributions for future service;
- other legacy benefits including parts of contributions made by DB members that could not be repaid when short service refunds were made and certain former Protected Rights.

The Scheme closed to future accrual on 31 March 2015 and members cannot make further AVC or DC contributions.

At 31 March 2021	DB Scheme AVCs	DC Section investments	Other legacy benefits secured by DC investments	Total Money Purchase Benefits
Number of members	671	171	402	1,244
Investments	£5.6m	£5.6m	£1.2m	£12.4m

DC Section

Default arrangement

The DC Section is not used for auto-enrolment and closed to future accrual on 31 March 2015. As such, it is not required to meet some requirements for default arrangements, such as preparation of a special statement of investment principles. However, for information purposes the Trustee has provided details of the default arrangement that operated prior to closure of the Scheme and was updated following a strategy review during 2018.

Members of the DC Section of the Scheme who did not make an explicit choice regarding the investment of their funds were invested into a lifestyle option as the default arrangement.

The objective of the current lifestyle option is to provide investment growth by investing in return-seeking assets at younger ages when funds are invested wholly in equities, with a gradual switching of assets over the 20 years before the member's expected retirement date, towards a final position of 100% cash. The lifestyle fund itself invests in a series of funds managed by Legal & General Investment Management Ltd. The funds are managed passively and the total expense ratios are currently in the region of 0.100% to 0.223% of the fund value, depending on the fund.

By investing in this manner, the Trustee seeks to deliver growth over the member's lifetime within the Scheme without excessive risk taking, with an increased focus in later years on reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The Trustee considers this approach to be in the best interests of relevant members and relevant beneficiaries.

[1] For the purposes of this statement, information regarding other legacy benefits that are now secured by defined contribution investments are also included in the AVC arrangement category as indicated.

Statement regarding DC governance continued

Review and changes made during the Scheme year

No changes were made to the DC Section's investment strategy during the Scheme year. The Trustee commenced a review of the DC Section's investment strategy during the Scheme year, which was completed in May 2021. This review considered performance of the investment options against their objectives, the demographic of the DC Section's membership (particularly, any material changes since the previous formal review in 2018), and anticipated at-retirement decision making by upcoming DC Section retirees. The Trustee was satisfied with the quality and appropriateness of the investment options available for the membership and as such, agreed to make no changes to the DC Section's investment options as a result of this review.

The Scheme's Statement of Investment Principles, which covers both the Defined Benefit and Money Purchase elements of the Scheme, was reviewed and updated by the Trustee during the year. It can be seen at: https://www.invensyspensions.co.uk/scheme-documents.

AVC arrangement

Review and changes made during the Scheme year

The Trustee's most recent review of the AVC arrangement's fund range was carried out alongside the DC Section review in early 2021, completing in May 2021. As with the DC Section, the Trustee agreed to make no changes to the AVC arrangement's investment options as a result of this review.

In May 2020, the AVC arrangement's assets with Utmost Life and Pensions (Utmost) were transferred to the existing fund range with Legal & General Investment Management Ltd (LGIM) and Prudential. The Trustee made this decision after considering the value offered to members through the Utmost range of funds compared to alternatives.

Trustee knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pensions Regulator's Code of Practice 07. The comments in this section relate to the Trustee as a body in dealing with the whole scheme and are not restricted to the DC section.

The Trustee has put in place arrangements for ensuring that Trustee Directors take personal responsibility for understanding pension and trust law and keeping up to date with relevant developments and that they carry out a self-assessment of training needs. The Chair of the Trustee holds annual performance meetings with each Trustee Director, supplemented by informal feedback from advisers. The performance of the Board and each of its committees is also regularly reviewed. The Executive Office arranges for training to be made available to individual Trustee Directors or to the whole Trustee body as appropriate, including separate training sessions and additional training at Trustee and committee meetings by external advisers on trust documentation and developments in law and practice, including environmental, social and governance investment-related issues and data protection. A record of training undertaken is maintained by the Trustee and is reported in the Annual Report. In addition, the Trustee receives advice from professional advisers to supplement the knowledge of the Trustee Directors, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers.

All the existing Trustee Directors have completed the relevant sections of the Pensions Regulator's Trustee Toolkit and new Trustee Directors are required to complete this within six months of taking up office. Taking account of actions taken individually and as a trustee body, and the professional advice available to it, the Trustee Directors consider that they are properly enabled to exercise their functions as directors of the Trustee.

Processing scheme transactions

The Trustee has a specific duty to ensure that core financial transactions (including transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the DC Section and AVC arrangement are processed promptly and accurately.

For the DC Section, and for other legacy benefits that are now secured by defined contribution investments, these transactions are undertaken on the Trustee's behalf by the Scheme administrator, XPS Administration, and its investment manager, Legal & General Investment Management Ltd (LGIM). For the AVC arrangement these transactions were additionally carried out in the

Statement regarding DC governance continued

year by The Prudential Assurance Company Limited (Prudential) and Utmost Life and Pensions (Utmost)[2] for the respective funds they provided.

The Trustee's service agreement with the administrator sets clear standards and deadlines for the accurate and timely processing of transactions. Reports are prepared by the administrator that show, for various activities, the percentage of cases that were completed within the agreed time and for cases not completed within the target period, a summary of how many days after the target these cases were completed. These reports are reviewed by the Trustee each quarter. The administrator has committed to using only suitably trained, skilled and experienced personnel on Scheme matters, and to operating in accordance with its own published, and independently audited, internal operating control framework, which includes requirements for supervision and reconciliation of transactions. The Trustee receives quarterly reports on performance against those service levels. In addition, the Trustee receives and reviews the Scheme administrator's annual assurance report on its internal controls (the "AAF" report), which is produced by an independent reporting accountant, to support its assessment of whether the controls are operating effectively.

The service agreement includes an agreed process for reporting on, and promptly correcting, any errors that may occur, with financial penalties for non-compliance. This process has been working effectively to the Trustee's satisfaction.

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

Security of assets

The Trustee, with its legal adviser, has assessed the protections offered to Scheme members should any of the Scheme fund providers run into financial difficulty.

As at 31 March 2021 the Trustee holds insurance policies with the fund providers[3], under which members' investments are made. The Trustee believes that, in the event of insolvency of any such fund provider, the Trustee would be able to claim compensation through the Policyholder Protection Scheme (known as the "FSCS") on members' behalf.

The Policyholder Protection Scheme is operated by Financial Services Compensation Scheme Ltd, which is an independent body set up by the government to protect consumers when authorised financial services firms fail. The FSCS aims to ensure investors get back 100% of the value of their insurance policy in the event of the insolvency of the insurer. The FSCS does not protect against movement in the underlying value of the assets of the funds. Further information regarding the FSCS is available at fscs.org.uk. Please note that the terms of the FSCS may be subject to review and amendment from time to time by the UK Prudential Regulation Authority.

Charges and transaction costs

The Trustee reviews the charges and transaction costs borne by Scheme members every year to determine whether or not those charges and costs represent good value for money for members. Performance of the DC and AVC funds net of member charges are also monitored on a quarterly basis and annual basis respectively.

In this section, the four sources of charges and transaction costs incurred during the Scheme year are set out:

1. Total expense ratio or "TER" (% p.a.): This is the ongoing charge levied on member assets by the fund provider for investment management services and running costs. For the Prudential funds, the TER also includes member record-keeping and administration services (see point 4 below).
2. Transaction costs (ongoing): These are the transaction costs arising when the fund manager buys/sells securities as part of its ongoing management of the fund. Examples of such costs include custodian fees on trades, transaction taxes, broker commission, and 'slippage costs' (the difference between the market price of a trade at the time the order enters the market, and the actual execution price) or bid-offer spreads.
3. Transaction costs (incurred in implementing strategy changes): These are the transaction costs arising as a result of the buying and selling of funds as part of the transfer of the AVC arrangement's Utmost assets to LGIM and Prudential during the Scheme year.

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[2] Up to 28 April 2020
[3] The fund providers as at 31 March 2021 are: Legal & General Assurance (Pensions Management) Limited and The Prudential Assurance Company Limited.

Statement regarding DC governance continued

4. Member administration fees: For the Prudential funds, the ongoing member charge also includes member record-keeping and administration services. These providers do not separate out their ongoing charge between investment management, running costs and administration, but rather quote a single ongoing charge encompassing all these services.

Ongoing transaction costs under category 2 above have been disclosed as the costs over the most recently-available 12 month period. Where unavailable, the Trustee does not expect the transaction costs for the 12 months to 31 March 2021 to be meaningfully different to those costs disclosed in this statement.

Some of the ongoing transaction costs shown are negative, which indicates a gain. This is mainly a result of an anti-dilution offset (an adjustment made by the manager so that the cost of buying and selling fund units is met by those transacting), a negative 'slippage' cost when buying or selling securities (e.g. for an asset being bought, the arrival price being higher than the actual price paid), or both. Where the anti-dilution offset outweighs the other sources of transaction costs, this results in an overall gain for invested members.

Some of the transaction costs incurred in implementing the strategy changes within the AVC arrangement were also negative, indicating a gain. This is a result of the fund price swing applied by LGIM on the date of purchase acting to benefit members (i.e. the dealing price swinging down from mid to bid).

DC Section

The member incurs a total expense ratio ("TER") ranging from 0.100% p.a. to 0.300% p.a. of the sum invested, depending on the fund(s) in which they are invested. As a reference, this is significantly lower than the maximum allowed of 0.750% p.a. for a default fund used for auto-enrolment purposes.

The table below sets out information on charges and transaction costs for the funds available to members during the Scheme year.

LGIM Fund	TER (% p.a.)	Transaction costs (ongoing) % p.a.[2]
Global Equity Fixed Weight (50:50) Index[1]	0.165	0.002
UK Equity Index	0.100	-0.020
AAA-AA-A Corporate Bond All Stocks Index[1]	0.150	-0.021
Over 5 Year Index-Linked Gilt Index[1]	0.100	0.025
Cash[1]	0.125	-0.002
World Equity Index[1]	0.200	-0.010
World Equity Index – GBP Hedged[1]	0.223	0.038
Multi-Asset Fund	0.250	0.026
Ethical Global Equity Index	0.300	-0.005

Source: LGIM

1 Fund used in the lifestyle profiles during the Scheme year.
2 Ongoing transaction costs shown cover the 12 months to 31 March 2021.

Members invested in the default or alternative lifestyle option may be invested in a combination of these funds; each member's annual benefit statement will set out how much they have invested in each fund. The table below sets out the charges and transaction costs applicable during the Scheme year at selected terms to retirement for the two lifestyles.

	Default lifestyle		Alternative lifestyle	
Years to target retirement date	TER (% p.a.)	Transaction costs (ongoing) % p.a.[1]	TER (% p.a.)	Transaction costs (ongoing) % p.a.[1]
20 or more years to retirement	0.212	0.014	0.212	0.014
15 years to retirement	0.203	0.013	0.203	0.013
10 years to retirement	0.194	0.012	0.194	0.012
5 years to retirement	0.160	0.006	0.152	0.009
At retirement	0.125	-0.002	0.106	0.018

Source: LGIM

1. The transaction costs shown cover the 12 months to 31 March 2021.

Statement regarding DC governance continued

AVC arrangement

The member incurs a total expense ratio ("TER") ranging from nil to 1.28% p.a. of the sum invested, depending on the fund(s) in which they are invested.

The two lifestyle profiles available to DC Section members (targeting cash and annuity purchase at retirement respectively) are also available to AVC members. The costs and charges over the Scheme year applicable at selected terms to retirement are set out in the previous section relating to the DC Section.

Total expense ratios for the additional funds available to AVC members during the Scheme year are set out in the tables below:

LGIM Fund	TER (% p.a.)	Transaction costs (ongoing) % p.a.[1]	Transaction costs (incurred in implementing strategy changes) %
UK Equity Index	0.100	-0.020	-0.251
AAA-AA-A Corporate Bond All Stocks Index	0.150	-0.021	-0.627
Over 5 Year Index-Linked Gilt Index	0.100	0.025	0.000
World Equity Index	0.200	-0.010	-0.045
Multi-Asset Fund	0.250	0.026	0.025
Over 15 Year Gilts Index	0.100	0.001	0.000
All Stocks Gilts Index	0.100	-0.033	Not applicable; no assets invested as part of strategy changes
Pre-Retirement Fund	0.150	0.037	-0.390
Ethical Global Equity Index	0.300	-0.005	0.051
Cash	0.125	-0.002	0.000

Source: LGIM.

1. The transaction costs shown cover the 12 months to 31 March 2021.

Prudential Fund	TER (% p.a.)	Transaction costs (ongoing) % p.a.[1]	Transaction costs (incurred in implementing strategy changes) %
UK Property	1.28	0.00	Not applicable; no assets invested as part of strategy changes
Deposit	no explicit charges	0.00	0.00
With Profits Cash Accumulation	1.00	0.11	Not applicable; no assets invested as part of strategy changes

Source: Prudential.

1. Ongoing transaction costs for the 12 months to 31 March 2021 are not available as at the date of this statement. Prudential expects to publish transaction cost data for the 12 months to 31 March 2021 in October 2021. Ongoing transaction cost data shown is the latest available from Prudential for its funds, as follows:
   - With Profits Cash Accumulation: 12 months to 30 June 2020
   - UK Property and Deposit: 12 months to 30 September 2020

Utmost Life and Pensions Fund	**TER (% p.a.)**	**Transaction costs (ongoing) % p.a.[1]**	**Transaction costs (incurred in implementing strategy changes) %[2]**
Secure Cash Investment	0.50	0.00	< 0.01
Money Market	0.50	0.00	< 0.01

Source: Utmost. The Scheme's Utmost assets were disinvested on 28 April 2020, ahead of transfer to LGIM and Prudential fund options.

1. Transaction costs shown cover the 12 months to 31 December 2020 (Utmost expects to provide data covering the 12 months to 31 March 2021 by the end of July 2021).

2. Utmost expects the transaction costs associated with the gradual phasing of assets from the Secure Cash Investment to the Money Market Fund between 31 March 2020 and 28 April 2020 to be less than 0.01%. No transaction costs were incurred when redeeming these assets from Utmost.

Statement regarding DC governance continued

Projected impact of costs and charges

Below is an illustrative example of the cumulative effect over time of the member-borne charges and costs on the value of a member's money purchase savings. This considers the impact of the total expense ratio and ongoing frictional transaction costs (set out in the tables above) across the Scheme's fund range available to members as at 31 March 2021. It assumes a starting pot size of £10,000 with no further contributions, given the DC Section is closed to future contributions. The assumptions are detailed in the notes after the tables.

Projected pension pot, in today's terms

Years	Default Lifestyle		LGIM Global Equity Fixed Weight (50:50) Index Fund		LGIM UK Equity Index Fund		LGIM AAA-AA-A Corporate Bond All Stocks Index Fund		LGIM Over 5 Year Index-Linked Gilt Index Fund	
	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted
1	£10,200	£10,200	£10,200	£10,200	£10,200	£10,200	£9,900	£9,900	£9,900	£9,900
3	£10,500	£10,500	£10,500	£10,500	£10,500	£10,500	£9,800	£9,800	£9,700	£9,600
5	£10,900	£10,800	£10,900	£10,800	£10,900	£10,900	£9,700	£9,700	£9,400	£9,400
10	£11,900	£11,600	£11,900	£11,700	£11,900	£11,800	£9,500	£9,400	£8,900	£8,800
15	£12,900	£12,500	£13,000	£12,700	£13,000	£12,800	£9,200	£9,100	£8,400	£8,200
20	£13,800	£13,200	£14,200	£13,700	£14,200	£13,900	£9,000	£8,800	£7,900	£7,700
25	£14,500	£13,700	£15,500	£14,800	£15,500	£15,200	£8,700	£8,500	£7,400	£7,200
30	£14,600	£13,700	£16,900	£16,100	£16,900	£16,500	£8,500	£8,200	£7,000	£6,700
31	£14,500	£13,500	£17,200	£16,300	£17,200	£16,700	£8,500	£8,200	£6,900	£6,600

Projected pension pot, in today's terms

Years	LGIM Cash Fund		LGIM World Equity Index Fund		LGIM World Equity Index Fund – GBP Hedged		LGIM Multi-Asset Fund		LGIM Ethical Global Equity Index Fund	
	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted
1	£9,900	£9,900	£10,200	£10,200	£10,200	£10,100	£10,100	£10,100	£10,200	£10,100
3	£9,700	£9,600	£10,500	£10,500	£10,500	£10,400	£10,300	£10,200	£10,500	£10,400
5	£9,400	£9,400	£10,900	£10,800	£10,900	£10,800	£10,500	£10,400	£10,900	£10,700
10	£8,900	£8,800	£11,900	£11,700	£11,900	£11,600	£11,000	£10,700	£11,900	£11,500
15	£8,400	£8,200	£13,000	£12,600	£13,000	£12,400	£11,600	£11,100	£13,000	£12,400
20	£7,900	£7,700	£14,200	£13,600	£14,200	£13,400	£12,100	£11,500	£14,200	£13,300
25	£7,400	£7,200	£15,500	£14,700	£15,500	£14,400	£12,700	£11,900	£15,500	£14,300
30	£7,000	£6,800	£16,900	£15,900	£16,900	£15,500	£13,400	£12,300	£16,900	£15,400
31	£6,900	£6,700	£17,200	£16,200	£17,200	£15,700	£13,500	£12,400	£17,200	£15,600

Statement regarding DC governance continued

Projected pension pot, in today's terms

Years	LGIM Over 15 Year Gilts Index Fund		LGIM All Stocks Gilts Index Fund		LGIM Pre-Retirement Fund		Prudential UK Property Fund		Prudential Deposit Fund	
	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted	Gross of all charges	After all charges and costs deducted
1	£9,900	£9,900	£9,900	£9,900	£9,900	£9,900	£10,200	£10,000	£9,900	£9,900
3	£9,700	£9,600	£9,700	£9,600	£9,800	£9,700	£10,500	£10,100	£9,700	£9,700
5	£9,400	£9,400	£9,400	£9,400	£9,600	£9,600	£10,900	£10,100	£9,400	£9,400
10	£8,900	£8,800	£8,900	£8,800	£9,300	£9,200	£11,900	£10,300	£8,900	£8,900
15	£8,400	£8,200	£8,400	£8,300	£9,000	£8,800	£13,000	£10,400	£8,400	£8,400
20	£7,900	£7,700	£7,900	£7,700	£8,600	£8,400	£14,200	£10,600	£7,900	£7,900
25	£7,400	£7,300	£7,400	£7,300	£8,300	£8,000	£15,500	£10,700	£7,400	£7,400
30	£7,000	£6,800	£7,000	£6,800	£8,000	£7,700	£16,900	£10,900	£7,000	£7,000
31	£6,900	£6,700	£6,900	£6,700	£8,000	£7,600	£17,200	£10,900	£6,900	£6,900

Projected pension pot, in today's terms

Years	Prudential With Profits Cash Accumulation Fund	
	Gross of all charges	After all charges and costs deducted
1	£10,300	£10,200
3	£11,000	£10,700
5	£11,800	£11,200
10	£13,900	£12,400
15	£16,300	£13,900
20	£19,200	£15,500
25	£22,600	£17,200
30	£26,600	£19,200
31	£27,500	£19,600

Notes:

1. Values shown are estimates and are not guaranteed and are rounded to the nearest £100;
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation;
3. Assumes inflation of 2.5% per annum;
4. Assumes charges in future years are equal to charges today, and frictional transaction costs in the future are the same as those used within the projections;
5. For the default strategy, assumes a member is 34 years old. This corresponds to the youngest member enrolled into the DC Section.
6. Projections are shown at terms up to 31 years, when a member who is 34 years old now would reach the Scheme's Normal Retirement Age of 65.
7. The projected impact of costs and charges for the Prudential With-Profits Cash Accumulation fund has been shown based on the underlying asset allocations of the funds. In practice, charges and transaction costs are deducted from the overall fund before bonus rates are set for policyholders, and bonus rates are not directly linked to underlying asset returns each year.
8 The transaction cost figures used in the illustrations are annualised, based on data provided by the fund managers covering as much of the past five years as available:
   - LGIM: 1 April 2017 to 31 March 2021
   - Prudential With Profits Cash Accumulation: 1 July 2017 to 30 June 2020
   - Prudential UK Property and Deposit: 1 July 2017 to 30 September 2020

Statement regarding DC governance continued

The projected growth rates used are based on the Scheme's 2021 Statutory Money Purchase Illustrations, as advised by the Scheme Actuary and are set out below:

Fund	Nominal accumulation rate per annum (gross of charges)
LGIM Global Equity Fixed Weight (50:50) Index	4.30%
LGIM UK Equity Index	4.30%
LGIM AAA-AA-A Corporate Bond All Stocks Index	1.95%
LGIM Over 5 Year Index-Linked Gilt Index	1.30%
LGIM Cash	1.30%
LGIM World Equity Index	4.30%
LGIM World Equity Index – GBP Hedged	4.30%
LGIM Multi-Asset Fund	3.50%
LGIM Ethical Global Equity Index	4.30%
LGIM Over 15 Year Gilts Index	1.30%
LGIM All Stocks Gilts Index	1.30%
LGIM Pre-Retirement Fund	1.75%
Prudential UK Property Fund	4.30%
Prudential Deposit Fund	1.30%
Prudential With Profits Cash Accumulation[1]	5.90%
Utmost Secure Cash Investment	1.30%
Utmost Money Market Fund	1.30%

Source: Prudential (With Profits Cash Accumulation accumulation rate), XPS Pensions Group (all other accumulation rates)

[1] 2020 projection rate used as the 2021 figure is not yet available.

The above illustration has been prepared with regard to the Department for Work and Pensions' guidance ("Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes"), published in September 2018.

Value for members

The Company is responsible for paying all the administration costs associated with the DC Section, and in respect of the LGIM funds within the AVC arrangement. As an indication of the benefit, our Investment Advisor estimates that the administration services paid for by the Company would cost members invested with Legal & General an annual charge of 0.2% to 0.25% if administration services were supplied by a fund provider and deducted from members' funds.

In addition, the Trustee contracted to pay an annual fee to Legal & General Assurance (Pensions Management) Limited, the fund provider, should total invested funds fall below a threshold value as at the start of a calendar year. For the 2021 calendar year a fee of £1,000 is applicable, which will be met by the Company.

With the AVC arrangement, ongoing member charges for the Prudential funds include some administration services, for example member record-keeping and provision of an annual benefit statement.

Total expense ratios

The Trustee most recently reviewed the total expense ratios as part of a formal 'value for members' assessment covering the Scheme year ending 31 March 2021.

Within the DC Section, the average total expense ratio throughout the default arrangement range is lower than the average member charge for similar-sized trust-based DC arrangements, published by the Department for Work & Pensions in its latest survey of DC charges[4].

Within the AVC arrangement, the LGIM fund charges are consistent with those in the DC Section fund range. The Prudential funds, other than the Deposit fund have higher member charges than the passive LGIM funds. This is in part due to their being actively managed and including administration services as well as investment management. Overall, compared with similar

[4] Source: Department for Work & Pensions: "Pension Charges Survey 2020: Charges in defined contribution pension schemes", published January 2021

Statement regarding DC governance continued

options available in the wider DC fund market, the Trustee is comfortable these options represent reasonable value for members.

The Trustee is satisfied that this charging structure is appropriate for members and represents good value for money, taking account of the size of the Scheme funds and the fact that there will be no future contributions to increase the fund size.

The Trustee decided to transfer the monies invested with Utmost at the earliest possible date, in part due to the relatively high charges in those funds. The transfer of funds from Utmost was completed in May 2020.

Transaction costs

LGIM funds

All the LGIM funds (except for the Cash and Multi-Asset funds) are passively managed with the aim of tracking their respective benchmark indices before the deduction of their total expense ratio, but after the deduction of transaction costs. The Trustee regularly monitors performance of the funds against their objectives and is satisfied the objectives have been met over the Scheme year, after the deduction of transaction costs.

The transaction costs over the year for the Cash fund were slightly negative (i.e. a gain), though the magnitude of the gain was immaterial to performance. This, combined with the fact the fund has had a positive return net of member charges over the past five years (in a low interest rate environment where some cash funds across the industry have produced negative returns after the deduction of member charges), has led the Trustee to conclude the overall costs and charges applicable to the Cash fund (including transaction costs) are appropriate.

The transaction costs over the year for the Multi-Asset fund were slightly positive. Fund performance was also behind its performance comparator over the year, though the Trustee does not view the transaction costs incurred as a material contributor to the fund's underperformance.

The Trustee is satisfied that the transaction costs incurred over the Scheme year for each of the available funds are acceptable in the context of the funds' objectives.

Non-LGIM Funds

For the Prudential funds present in the Scheme as at 31 March 2021, the Trustee is comfortable the transaction costs incurred by the managers are reasonable in the context of overall fund performance.

Conclusion

Overall, the Trustee is satisfied value for members is present in the Scheme. In making this determination, the Trustee has carried out a formal value for members assessment which considered not just the cost to members (see above) but also the quality of the offering and services provided to members. The Trustee believes good value is demonstrated through:

- A default investment strategy designed to take account of member needs, and to control risk as members approach retirement and the need for protection increases;
- Fund performance broadly in line with objectives over the time periods assessed as at 31 March 2021;
- A robust governance and monitoring process;
- The Company paying for member administration costs associated with the DC Section and the LGIM funds within the AVC arrangement, as opposed to this being borne by members;
- Reasonable ongoing member charges, in the context of the total asset size of the Scheme and the fact it is closed to further contributions.

The Trustee will carry out its next formal value for members assessment next year, in respect of the 12 month period to 31 March 2022.

Statement regarding DC governance continued

Overall Conclusion

As Trustee of the Scheme, we have reviewed our systems, processes and controls across key governance functions and considered the Pensions Regulator's recommendations for defined contribution schemes. Our assessment is that our systems, processes and controls are appropriate to the Scheme and are also consistent with the requirements and recommendations for governance set out in the Pensions Regulator's:

- Code of practice 13: Governance and administration of occupational defined contribution trust-based schemes (the 'DC Code')
- Regulatory guidance for defined contribution schemes.

Based on our assessment and for the reasons set out earlier in this statement, we believe that we have met the standards of practice set out in the DC code and applicable DC regulatory guidance.

The Statement regarding DC governance was approved by the Trustee and signed on its behalf by:

/s/ Kathleen O'Donovan

Kathleen O'Donovan
Chair of the Board

17 August 2021

Actuary's certificate of the calculation of Technical Provisions

Name of scheme: Invensys Pension Scheme

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 31 March 2018 is made in accordance with regulations under Section 222 of the Pensions Act 2004. The calculation uses the method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 18 October 2018.

/s/ S M Leake

Steve Leake
Fellow of the Institute and Faculty of Actuaries
XPS Pensions Limited
Tempus Court
Onslow Street
Guildford
Surrey GU1 4SS

15 November 2018

Independent auditor’s report to the Trustee of the Invensys Pension Scheme

Opinion

We have audited the financial statements of Invensys Pension Scheme for the year ended 31 March 2021 which comprise the Fund Account, the Statement of Net Assets and the related notes 1 to 20, 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 March 2021, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for 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 Trustees’ 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 12 months from 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.

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

Independent auditor's report to the Trustee of the Invensys Pension Scheme continued

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 35, 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 Trustees 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.

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 through our broader knowledge of the pensions market and by making enquiries of the Trustee. We corroborated our enquiries through our review of the Trustee's meeting minutes.
- 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.
- 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. Where this risk was considered to be heightened, we performed audit procedures to address each identified fraud risk. In our assessment we also considered the risk of management override. Our audit procedures included testing manual journals, including segregation of duties.
- The Scheme is required to comply with UK pensions regulations. We have 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.

Independent auditor's report to the Trustee of the Invensys Pension Scheme continued

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 them 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.

/s/ Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
London

18 August 2021

Notes:

1. The maintenance and integrity of the Invensys Pension Scheme web site is the responsibility of the Trustee; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fund account
For the year ended 31 March 2021

Contributions and benefits	Note	2021 £m	2020 £m
Employer contributions	4	**0.1**	0.1
Total contributions		**0.1**	0.1
Individual transfers in from other schemes		**-**	1.9
		0.1	2.0
Benefits payable	5	**(245.7)**	(269.0)
Payments to and on account of leavers	6	**(25.2)**	(33.6)
Administrative expenses	7	**(5.9)**	(5.7)
		(276.8)	(308.3)
Net withdrawals from dealings with members		**(276.7)**	(306.3)
Returns on investments			
Investment income	8	**127.6**	123.0
Change in market value of investments	10	**(3.7)**	140.9
Investment management expenses	9	**(13.0)**	(8.4)
Net returns on investments		**110.9**	255.5
Net decrease in the fund during the year		**(165.8)**	(50.8)
Opening net assets of the Scheme at 1 April		**4,993.9**	5,044.7
Closing net assets of the Scheme at 31 March		**4,828.1**	4,993.9

Statement of net assets
As at 31 March 2021

Investments	Note	2021 £m	2020 £m
Investment assets	11		
Bonds		**4,347.0**	4,816.0
Pooled investment vehicles		**656.9**	756.0
Derivative contracts		**392.7**	635.8
Cash instruments		**51.4**	71.9
AVC investments		**5.6**	5.5
DC investments		**6.8**	5.4
Other financial assets		**34.9**	46.3
Annuity policies		**3.1**	3.3
Cash deposits		**84.4**	76.8
Financial assets		**5,582.8**	6,417.0
Investment liabilities	11		
Derivative contracts		**(744.9)**	(1,030.5)
Repurchase agreement liabilities		**-**	(373.5)
Other financial liabilities		**(6.8)**	(23.5)
Financial liabilities	11	**(751.7)**	(1,427.5)
Total net investments	10	**4,831.1**	4,989.5
Current assets	13	**33.6**	31.7
Current liabilities	14	**(36.6)**	(27.3)
Net assets of the scheme at 31 March		**4,828.1**	4,993.9

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 that 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 certificate produced by the Scheme Actuary on page 46 and the funding position on page 1 of the Annual Report. These financial statements should be read in conjunction with these statements.

Signed on behalf of Invensys Pension Trustee Limited

/s/ Kathleen O'Donovan

K A O'Donovan

Directors

/s/ Nigel Casson-Moss

N B Casson-Moss

Notes to the financial statements

1 Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pensions Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 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 (Revised 2018).

The financial statements have been prepared on the going concern basis. The Trustee has assessed the impact of the COVID-19 pandemic in terms of the predicted effect on the Scheme's assets, technical provisions and the employer covenant. At the date of signing these financial statements the Trustee believes that; due to its investments structure the Scheme is able to comfortably cover its related outgoings until 12 months from signing. As a result, and together with the relatively strong position of the Principal Employer, the Trustee considers the preparation of the financial statements on a going concern basis to be appropriate.

2 Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is Invensys Pensions, XPS Administration. 36 Gallowgate. Newcastle upon Tyne, NE1 4TD

3 Accounting policies

a Contributions

Levy reimbursement contributions are accounted for on an accruals basis, in accordance with the Schedule of Contributions under which they are paid.

Augmentation contributions are accounted for in accordance with the agreement under which they are payable. In the absence of any formal agreement, they are accounted for on a receipts basis.

b Investment income

Income from fixed interest securities, index-linked securities and cash is taken into account on an accruals basis, calculated on a daily basis.

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

Net receipts or payments on swap contracts are reported either within investment income where the economic purpose of the swap is income related, or within change in market value where the economic purpose of the swap is related to the assets and liabilities of the Scheme. Realised gains and losses on closed contracts and unrealised gains or losses on open contracts are included within change in market value.

c Transfers

Individual transfers in or out are accounted for when the member liability is accepted or discharged which is normally when the transfer is paid or received.

d Benefits

Benefits payable are included in the financial statements on an accruals basis when the member notifies the Trustee as to the type or amount of benefit to be taken or, where there is no choice, on the date of retirement or leaving. Pensions paid include amounts paid in respect of insured pensioners. The income relating to these is shown as annuities received within investment income.

e Investment manager fees

Investment manager fees are accounted for on an accruals basis. They are primarily charged as a percentage of the portfolio valuation and as a percentage of the outperformance, if any, generated by the relevant managers with active management mandates.

f Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling, the Scheme's functional currency, at the rate of exchange ruling at the Scheme year-end. Gains and losses on foreign currency investment and cash balances are shown in aggregate within the change in market value of investments to which they relate in the Fund Account.

Investment income denominated in foreign currencies is recorded by applying the spot exchange rate ruling at the date on which the income relating to the investment falls due.

Notes to the financial statements continued

g Investment assets
Listed investments are valued at closing prices on the recognised stock exchange as at the year-end, which are either the last quoted trade price or bid price depending on the market on which they are quoted.

Unlisted investments are stated at the Trustee's estimate of fair value based on the advice of the investment manager or other appropriate professional adviser.

Pooled investment vehicles are valued at the closing bid price or, if single priced, at the closing single price.

Fixed interest securities are stated at a value, their clean price, which excludes the value of interest accruing from the previous interest payment date to the valuation date.

h Derivatives
Derivatives with an initial purchase price are reported as purchases. Those that do not have an initial purchase price but require a deposit, such as an initial margin to be placed with the broker, are recorded at nil cost on purchase.

Derivative contracts are included in the net assets statement at fair value. Exchange traded derivatives with positive values are included in the net assets statement as assets at bid price, and those with negative values as liabilities at offer price.

i. Futures

Open futures contracts are recognised in the statement of net assets at their fair value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract, as determined by the closing exchange price as at the year-end.

Amounts outstanding in respect of the initial margin and any variation margin are shown within amount due from/to brokers/managers.

Amounts included in change in market value represent realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

ii. Swaps

Swaps are valued at fair value, using pricing models that calculate the current value of future expected net cash flows arising from the swaps, for which the time value of money is taken into account. Interest is accrued under the terms relating to individual contracts. Net receipts or payments on swap contracts are either reported within investment income or change in market value.

iii. Forward foreign exchange contracts

Forward foreign exchange contracts outstanding at the year-end are stated at fair value, which is determined as the gain or loss that would arise if each outstanding contract were matched at the year-end with an equal and opposite contract at that date.

Changes in the fair value of the forward contracts are reported within change in market value in the Fund Account.

i Repurchase agreements
Where the Scheme enters into a repurchase agreement (a 'repo'), it receives a cash loan from the counterparty, which is collateralised by specific assets of the Scheme. The obligation to repay the loan is accounted for as a financial liability. The assets pledged as collateral are included in the Scheme's net assets and their change in market value and any related investment income is accounted for on an accruals basis. The assets pledged are not free to be otherwise used by the Scheme and their value is separately disclosed in note 11.

The Scheme pays interest to the repo counterparties on the cash borrowed and this is accounted for on an accruals basis within investment income in line with the terms of the respective contracts.

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

k Taxation
The Scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. The Scheme's income and chargeable gains are free of UK Income and Capital Gains tax, and tax recoverable on the Scheme's income is treated as part of that income.

l Administrative expenses
Administrative expenses are accounted for on an accruals basis.

Notes to the financial statements continued

4 Contributions

	2021 £m	2020 £m
Employers		
Levy reimbursement	**0.1**	0.1
	0.1	0.1

5 Benefits payable

	2021 £m	2020 £m
Pensions	**226.3**[1]	245.7[1]
Commutations and lump sum retirement benefits	**18.9**	22.6
Lump sum death benefits	**0.5**	0.5
Tax where lifetime or annual allowance exceeded	**-**	0.2
	245.7	269.0

[1] The Pensions charge includes a £2m charge in respect of GMP equalisation liability for past pension payments (2020: £20m charge which was the initial recognition of the cumulative liability).

6 Payments to and on account of leavers

	2021 £m	2020 £m
Individual transfers to other schemes	**25.2**[1]	33.5
State Scheme Premiums	**-**	0.1
	25.2	33.6

[1] The 2021 charge includes a £3m cumulative adjustment in respect of GMP equalisation on past transfers out (see note 20).

7 Administrative expenses

	2021 £m	2020 £m
Administration and processing	**3.6**	3.8
Pension Protection Fund levy	**0.2**	0.2
Actuarial fees	**0.6**	0.4
Legal and other professional fees	**1.2**	1.0
Audit fees	**0.1**	0.1
Directors' fees	**0.2**	0.2
	5.9	5.7

8 Investment income

	2021 £m	2020 £m
Income from bonds	**101.1**	110.0
Interest on cash deposits and margin accounts	**0.3**	1.3
European loan income	**4.2**	2.9
Annuities received	**0.4**	0.4
Repo interest expense	**(0.8)**	(3.6)
Income from derivatives (swaps)	**1.5**	(3.8)
Broad bond fund income	**4.5**	4.0
Other	**16.4**	11.8
	127.6	123.0

Notes to the financial statements continued

9 Investment management expenses

	2021 £m	2020 £m
Administration, management, custody	**6.0**	6.9
Performance-related fees	**7.0**	1.5
	13.0	8.4

The increase in performance related fees in the year to March 2021 reflects the strong investment performance as markets recovered from the significant falls in the first quarter of 2020 that were prompted by onset of the COVID-19 pandemic.

10 Investments – reconciliation table

	As at 31 March 2020 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Other transactions £m	Market value movement[1] £m	**As at 31 March 2021 £m**
Bonds	4,816.0	650.7	(1,000.0)	-	(119.7)	**4,347.0**
Pooled investment vehicles	756.0	1,145.4	(1,308.2)	-	63.7	**656.9**
Derivative contracts	(394.7)	67.8	(77.1)	-	51.8	**(352.2)**
Repurchase agreement liabilities	(373.5)	545.9	(172.4)	-	-	**-**
Cash instruments	71.9	26.7	(47.2)	-	-	**51.4**
AVCs investments	5.5	2.2	(2.9)	-	0.8	**5.6**
DC investments	5.4	0.2	(0.4)	-	1.6	**6.8**
Annuity policies	3.3	-	-	-	(0.2)	**3.1**
	4,889.9	2,438.9	(2,608.2)	-	(2.0)	**4,718.6**
Other financial assets and liabilities	22.8	-	-	5.3	-	**28.1**
Cash deposits	76.8	-	-	9.3	(1.7)	**84.4**
	4,989.5	2,438.9	(2,608.2)	14.6	(3.7)	**4,831.1**

[1] Market value movements comprise all realised and unrealised gains or losses on investments in the year, and in the case of cash deposits comprise foreign exchange movements.

[2] Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Net transaction costs included above were commission of £106k (2020: £7k). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within investment funds. The amount of indirect costs is not separately provided to the Scheme.

11 Investments – financial assets and liabilities

	2021		2020	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Bonds	**4,347.0**	**-**	4,816.0	-
Pooled investment vehicles	**656.9**	**-**	756.0	-
Derivative contracts	**392.7**	**744.9**	635.8	1,030.5
Repurchase agreement liabilities	**-**	**-**	-	373.5
Cash instruments	**51.4**	**-**	71.9	-
AVCs investments	**5.6**	**-**	5.5	-
DC investments	**6.8**	**-**	5.4	-
Insurance policies	**3.1**	**-**	3.3	-
Other financial assets and liabilities	**34.9**	**6.8**	46.3	23.5
Cash deposits	**84.4**	**-**	76.8	-
	5,582.8	**751.7**	6,417.0	1,427.5
Total net financial assets	4,831.1		4,989.5	

Notes to the financial statements continued

11 Investments – financial assets and liabilities continued

Bonds	2021 £m	2020 £m
Fixed interest securities		
UK public sector quoted	**1,896.1**	2,209.6
Corporate quoted	**1,344.1**	1,377.3
Overseas public sector quoted	**2.2**	2.1
Other	**85.3**	72.8
Index-linked securities		
UK quoted	**918.9**	1,055.0
Other	**100.4**	99.2
	4,347.0	4,816.0

Included within investments above are assets of £773.4m (2020: £826.9m) available for use as collateral when required. As at the year-end, £371.9m (2020: £416.0m) was deployed as net collateral posted in favour of counterparties to derivative contracts and repurchase agreements open at the year-end.

Pooled investment vehicles	2021 £m	2020 £m
Bond funds	**119.8**	106.4
Dynamic Asset Allocation	**138.8**	205.6
Hedge fund	**33.8**	36.3
Loan fund	**188.8**	76.1
Cash funds	**131.4**	275.0
Capital Release Transactions fund	**44.3**	56.6
	656.9	756.0

Where the investments are held in 'managed and unitised funds', the change in market value includes:

- expenses both implicit and explicit to the Scheme
- any reinvested income, where the income is not distributed.

	2021		2020	
Derivative contracts	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Swaps	**375.7**	**743.5**	632.2	1,016.1
Futures contracts	**-**	**0.2**	0.2	0.9
Forward foreign exchange	**17.0**	**1.2**	3.4	13.5
	392.7	**744.9**	635.8	1,030.5
Net derivative liabilities		**352.2**		394.7

Notes to the financial statements continued

11 Investments – financial assets and liabilities continued

Derivative contracts

The Trustee has authorised its investment managers to use derivatives for the purpose of efficient portfolio management, reducing potential mismatches between assets and liabilities and reducing investment risk.

Swaps

The Scheme's investment managers may use interest rate swaps, inflation swaps, futures, repurchase agreements and gilt total return swaps to reduce the potential mismatch between the Scheme's assets and its liabilities in respect of interest rates and inflation movements. They may also use credit default swaps and swaptions to manage credit risk.

Interest rate swaps

Maturity years	No. of contracts	Pay fixed notional £m	Receive fixed notional £m	Assets £m	Liabilities £m
0-5	85	451.2	421.2	87.4	9.8
5-10	82	184.6	768.2	103.4	20.7
10-30	56	525.4	850.6	70.8	559.0
30-50	23	180.3	266.7	61.3	93.7
Total	**246**	**1, 341.5**	**2,306.7**	**322.9**	**683.2**

Inflation swaps

Maturity years	No. of contracts	Receive RPI notional £m	Pay RPI notional £m	Assets £m	Liabilities £m
0-5	14	277.9	29.0	-	23.6
5-10	17	427.2	3.0	2.0	11.7
10-30	28	224.2	184.7	39.1	19.2
30-50	8	8.0	32.6	11.7	4.5
Total	67	**937.3**	**249.3**	**52.8**	**59.0**

Credit default swaps

Maturity years	No. of contracts	Buy protection notional £m	Sell protection notional £m	Assets £m	Liabilities £m
0-5	1	14.5	-	-	-
Total	**1**	**14.5**	**-**	**-**	**-**

Currency swaps

Maturity years	Pay/Receive currency	No. of contracts	Notional £m	Assets £m	Liabilities £m
0-5	Pay EUR/Receive GBP	1	15.7	-	1.3
Total		**1**	**15.7**	**-**	**1.3**

Total swaps	**375.7**	**743.5**

Notes to the financial statements **continued**

11 Investments – financial assets and liabilities continued

Futures contracts

Maturity	Type of future	No. of contracts	Economic exposure £m	Assets £m	Liabilities £m
Under 3 months	UK gilt	1	23.0	-	0.2
Under 3 months	Overseas fixed interest	3	(30.3)	-	-
Total		**4**		**-**	**0.2**

Forward foreign exchange

The Scheme is subject to currency risk in so far as assets are held in non-GBP currencies. The change in the value of those currencies relative to GBP may affect the income that the Scheme expects to receive from those investments as well as their value. This risk is mitigated by use of forward foreign exchange contracts.

Maturity	Pay/Receive currency	No. of contracts	Notional £m	Assets £m	Liabilities £m
Within 3 months	Pay GBP/Receive EUR	3	9.9	-	0.5
Within 3 months	Pay EUR/Receive GBP	36	420.2	15.2	-
Within 3 months	Pay GBP/Receive USD	2	2.6	-	-
Within 3 months	Pay USD/Receive GBP	13	154.3	1.5	0.7
Within 6 months	Pay EUR/Receive GBP	2	35.3	0.3	-
Total		**56**	**622.3**	**17.0**	**1.2**

Cash instruments

	2021 £m	2020 £m
Cash instruments	**51.4**	71.9
AVCs investments (see note 12)	**5.6**	5.5
DC investments (see note 12)	**6.8**	5.4

Other financial assets and liabilities

	2021		2020	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Accrued interest	**32.9**	**-**	32.3	-
Amounts due from/to brokers/managers	**2.0**	**6.8**	14.0	23.5
	34.9	**6.8**	46.3	23.5
Net other financial assets	28.1		22.8	

Notes to the financial statements continued

11 Investments – financial assets and liabilities continued

Cash deposits

	2021 £m	2020 £m
Sterling	**56.2**	55.1
Foreign currency	**28.2**	21.7
	84.4	76.8

12 Investments for Money Purchase Benefits

These investments are held in pooled investments that are allocated to individual members. They arise from:

- Additional Voluntary Contributions (AVCs) made by members prior to the Scheme closing to future accrual;
- contributions to a Defined Contribution (DC) section of the scheme before it closed to new contributions and other legacy benefits that are now secured by Defined Contribution investments. The legacy benefits include parts of contributions made by DB members that could not be repaid when short service refunds were made and certain former Protected Rights.

Where applicable, Members receive an annual statement showing the amounts held for them and the movement in the year.

Funds

	AVCs £m	Defined Contribution £m	Total Investments held for Money Purchase Benefits £m
Members' funds at 31 March 2021	5.6	6.8	12.4
Members' funds at 31 March 2020	5.5	5.4	10.9

Money Purchase Funds at 31 March 2021 were managed by:			
Legal & General	4.6	6.8	11.4
Prudential	1.0	-	1.0
	5.6	**6.8**	**12.4**

13 Current assets

	2021 £m	2020 £m
Cash balances	**32.6**	31.0
Other debtors	**1.0**	0.7
	33.6	31.7

14 Current liabilities

	2021 £m	2020 £m
Other creditors	**0.1**	0.1
Unpaid benefits	**0.8**	1.2
GMP equalisation on past pension liabilities (see note 20)	**25.0**	20.0
Accrued expenses	**10.7**	6.0
	36.6	27.3

The increase in accrued expenses includes amounts related to performance related investment fees see note 9.

Notes to the financial statements continued

15 Investment risks

Types of risk relating to investments

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 its 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 asset 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 asset 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 asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the level of investment returns that it is required to achieve to meet its funding objectives. The Trustee seeks to maintain investment risks, including credit risk and market risk, within agreed limits that are set taking into account the Scheme's strategic investment objectives. The investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee as part of regular reviews of the Investment Portfolio. The Trustee's investment strategy is set out in the Investment report.

The following table summarises the extent to which the various classes of investments are affected by financial risks:

				Market risk			Holding £m	
Investment Manager	Style	Investment vehicle	Credit risk	Currency	Interest rate	Other price	2021	2020
Liability Matching Fund (LMF)								
BlackRock		Segregated	○	○	●	○	**2,573**	**2,841**
Investment Portfolio								
AXA	IG bonds	Segregated	●	⊙	●	○	693	661
M&G	IG bonds	Segregated	●	⊙	●	○	445	475
Amundi	IG bonds	Segregated	●	⊙	●	○	438	409
M&G Sleeve run-off	IG bonds	Segregated	●	⊙	●	○	28	26
Amundi (Formerly Pioneer)	Broad bonds	Pooled	●	⊙	●	○	126	110
Barings	DAA	Pooled	⊙	⊙	○	●	26	154
BlackRock	DAA	Pooled	⊙	⊙	○	●	113	52
BlackRock (FIGA)	Hedge funds	Pooled	○	⊙	○	●	35	36
M&G	Loans	Pooled	●	⊙	●	○	190	113
AXA (PCS)	Reg. Cap	Pooled	●	⊙	●	○	46	58
Investment Portfolio							**2,140**	**2,094**
Cash[1]			○	⊙	○	○	103	40
Managed assets							**4,816**	**4,975**
DC & AVC Investments		Pooled	⊙	⊙	⊙	⊙	**12**	**11**
Annuity policies			⊙	○	⊙	○	**3**	**3**
Net financial assets							**4,831**	**4,989**
Net current assets and other							(3)	5
Net assets of the Scheme							**4,828**	**4,994**

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

[1] The 2021 cash position includes £27m committed cash to be invested in the AXA IG Bonds when specified market conditions are met.

Notes to the financial statements continued

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the legacy annuity policies or AVCs or DC investments, because these are not considered significant in relation to the overall investments of the Scheme.

Overall framework for investment risk management

Overall approach for investment risk budgeting

The Trustee believes that the maturity of the Scheme and the impact of its size on the Company covenant together warrant a strong focus on managing risk and pursuing the chosen return target in a risk-controlled manner. It takes an integrated risk management approach.

The Trustee has a set a Strategic Target and Risk Framework that is used to assess the level of investment risk within the Scheme and its appropriateness given the Scheme's funding objectives and the Sponsor's financial strength.

The budget for investment risks is derived from striking a balance between three factors:

1. The need for generating investment returns, which is a function of the Scheme's funding objectives
2. The affordability of investment risks by the Sponsor, which is a function of its capacity to sustain a significant deterioration in the Scheme's funding level and contribute to its recovery
3. The investment environment, which may or may not favour taking investment risks.

Each of these factors is assessed using metrics that are regularly updated and reviewed using inputs from the Trustee's investment, actuarial and employer covenant advisers.

The Trustee seeks to control investment risks primarily by setting the following:

- A minimum holding in 'off-risk' assets such as cash and UK Government gilts, primarily held in its Liability Matching Fund
- Minimum interest rate risk and inflation risk coverage ratio to protect the funding level against the impact of changes in interest rates and inflation
- The permitted asset classes for the investment managers and applicable ranges
- Investment constraints and risk guidelines within the investment managers' mandates to avoid excessive concentration and risk taking
- Limits on counterparty exposure where the Scheme has entered into derivative instruments or gilt repurchase agreements, as detailed in note 11.

Given its maturity, the Scheme has to generate significant cash flows from its assets to fund benefit payments. The investment risks associated with this are managed through a liquidity management policy. The policy primarily aims at continuously matching the next few years of benefit payments with asset cash flows and holding a cash buffer to cover unexpected short-term outflows.

Governance of investment risk management

The Trustee Board has ultimate responsibility for investment risk management. The key parameters that determine the amount of investment risk that may be taken within the Scheme, including their distribution across asset classes, are set in the Statement of Investment Principles. The Trustee Board has delegated to the Investment Committee the management of investment risk within the parameters set in the Statement of Investment Principles. The Investment Committee may delegate some of its duties to the Asset and Liability Management Committee. The Executive Office, working with the Scheme's advisers and investment managers, is responsible for the ongoing monitoring of investment risk, for making recommendations to the Trustee Board, Investment Committee or the Asset and Liability Management Committee as appropriate, and for implementing the decisions.

The Trustee has appointed investment managers to manage the investments of the Scheme under agreed mandates. These mandates set out target asset allocations, benchmarks and risk tolerances, which are consistent with the risk limits set by the Trustee. The Trustee Board, Investment Committee and the Asset and Liability Management Committee receive regular reports on risk metrics and on their adherence to their respective limits.

Notes to the financial statements continued

Approach to risk measurement

The Trustee believes that investment risks are multi-faceted and that both quantitative and qualitative inputs are useful in the evaluation of such risks. It relies on analysis generated by its advisers, investment advisers and the Executive Office, using a combination of tools licensed from third parties or developed internally. The Trustee monitors investment risk by assessing the likelihood of potential future events and the scale of their potential impact on the Scheme's assets and funding level. It is typically achieved by measuring the funding level's sensitivity to potential market shocks and scenario analysis of funding level projections.

Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, enters into derivatives, has cash balances and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in pooled investment vehicles. The Scheme is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in UK Government gilts (58% of the Scheme's assets held directly) where the credit risk is minimal, or bonds held directly which are rated investment grade by at least one rating agency (a further 28% of the Scheme's assets). The allocation to bonds that are not rated or are rated sub-investment grade (4% of the Scheme's assets) and may be subject to higher credit risk is subject to limits in the investment managers' agreements. Credit risk in those mandates is mitigated by ongoing active management by the investment managers to avoid losses arising from downgrades and defaults. The allocations represent the position at year-end.

The Scheme is exposed to the risk of failure of its counterparties to derivatives and gilt repurchase agreements. The risk is mitigated by permitting the investment managers to transact with a broad set of counterparties and setting concentration limits within the investment managers' agreements. Collateral arrangements are also used to mitigate credit risk.

Direct credit risk arises in relation to pooled investment vehicles (PIV) held directly by the Scheme. Direct credit risk is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the relevant manager, the regulatory environments in which the PIV managers operate, and diversification of investments among a number of pooled arrangements. In respect of its investments in unit-linked insurance contracts on a pooled basis, the Trustee has selected Legal and General Assurance (Pensions Management) Limited (PMC), which is authorised by the Prudential Regulation Authority, regulated by the Financial Conduct Authority and the Prudential Regulatory Authority and maintains capital (in excess of its liabilities) for its policy holders. Direct credit risk in relation to Legal and General Investment Management Limited (LGIM), PMC's investment manager, is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the rest of the Legal & General Group and the regulatory environment in which PMC and LGIM operate. A summary of PIV by type of arrangement is as follows:

	2021 **£m**	2020 £m
Open-ended investment companies (OEIC) / Unit Trusts	**493**	593
Investment company with variable capital (SICAV)	**104**	106
Specialized investment fund under French Law	**60**	57
Total	**657**	756

Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicles, which will include bonds, cash and derivatives. Credit arising from bonds and derivatives is concentrated in the broad bonds, loans and AXA PCS mandates and is mitigated by limits in the guidelines, in order to maintain a degree of diversification, and ongoing active management by the asset managers to avoid losses arising from downgrades and defaults. The risk arising from the derivatives is mitigated by counterparty risk diversification constraints and collateralisation for most of the pooled vehicles used.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are not denominated in sterling, either as segregated investments or via pooled investment vehicles. The Trustee seeks to minimise currency risk within the Investment Grade Bonds mandates by setting a net overseas currency exposure of 10% or less for each mandate, taking into account currency hedging instruments. At the year-end, the exposure to non-sterling assets, net of any currency hedging, was less than 0.15% of the Scheme's total assets.

The Trustee also holds sterling hedged share classes of the pooled funds it has invested into. A currency risk may remain within the pooled funds as a part of the investment strategy pursued by the managers of those pooled funds. It is mitigated by limits set in the guidelines of the pooled funds.

Notes to the financial statements continued

Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's investments are held in cash, bonds and interest rate and inflation swaps (either as segregated investments or through pooled vehicles). The Scheme's actuarial liabilities are also sensitive to gilt yields and inflation. The Trustee seeks to contain the sensitivity of the Scheme's funding level to changes in gilt yields and inflation. This is achieved by setting targets for the ratio of the assets' sensitivity to gilt yields and inflation over the actuarial liabilities' sensitivity to gilt yields and inflation, the Interest Rate Coverage Ratio and Inflation Coverage Ratio respectively. The coverage ratios are translated into the guidelines of the managers of the LMF and the investment grade Bonds' mandate, to which they have to adhere within a degree of tolerance. The coverage ratios are regularly monitored and their target reviewed to take account of the Scheme's funding level and market conditions. At year-end, the target coverage ratios had been set at levels above 90%, which were achieved. Having a coverage ratio of less than 100% means that, if gilt yields fall or inflation rises, assuming other market variables are unchanged, the Scheme's funding level would deteriorate as the increase in value of the LMF and Investment Grade Bonds' mandates combined would not be sufficient to offset the increase in actuarial liabilities. Conversely, the Scheme's funding level would benefit from gilt yields rising or inflation expectations falling.

Other price risk

Other price risk arises principally in relation to the Scheme's Investment Portfolio, which includes primarily equities held in pooled vehicles and hedge funds. The allocation to funds subject to other price risk was 4% at the year-end. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

16 Fair value determination

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

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

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

- sovereign, corporate and asset-backed debt instruments
- managed funds investing in securities
- derivatives, and
- repurchase agreement liabilities.

Debt instruments are valued using prices provided by price aggregation services which source prices from authorised brokers and dealers. These debt instruments are readily realisable in liquid markets.

Holdings of managed funds are normally valued based on unit prices based on current net asset values of the underlying assets. Derivative assets and liabilities are valued using discounted cash flow and options pricing models. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, inflation rates, option volatilities and currency rates.

The valuation of repurchase agreement liabilities reflects amounts borrowed from counterparties.

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

Level 3 assets are loan funds and hedge funds with notice periods. Holdings of managed funds are normally valued based on unit prices based on current net asset values of the underlying assets.

Notes to the financial statements continued

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	At 31 March 2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Fixed interest securities	-	4,347.0	-	4,347.0
Pooled investment vehicles	-	390.0	266.9	656.9
Derivative contracts	(0.2)	(352.0)	-	(352.2)
Repurchase agreement liabilities	-	-	-	-
Cash instruments	51.4	-	-	51.4
AVCs investments	-	4.6	1.0	5.6
DC investments	-	6.8	-	6.8
Annuity policies	-	-	3.1	3.1
Other financial assets and liabilities	28.1	-	-	28.1
Cash deposits	84.4	-	-	84.4
	163.7	4,396.4	271.0	4,831.1

	At 31 March 2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Fixed interest securities	-	4,816.0	-	4,816.0
Pooled investment vehicles	-	587.1	168.9	756.0
Derivative contracts	(0.7)	(394.0)	-	(394.7)
Repurchase agreement liabilities	-	(373.5)	-	(373.5)
Cash instruments	71.9	-	-	71.9
AVCs investments	-	4.3	1.2	5.5
DC investments	-	5.4	-	5.4
Annuity policies	-	-	3.3	3.3
Other financial assets and liabilities	22.8	-	-	22.8
Cash deposits	76.8	-	-	76.8
	170.8	4,645.3	173.4	4,989.5

17 Employer-related investments

At the year-end, less than 0.01% (2020: 0.1%) of assets were invested in employer-related investments within the meaning of Section 40(2) of the Pensions Act 1995.

Notes to the financial statements continued

18 Related party transactions

Four Trustee Directors receive a pension from the Scheme and two others are deferred pensioners. Eight Directors (including 20-20 Trustee Services Limited) received remuneration from the Scheme. The total amount is shown in note 7. All Directors are reimbursed for out-of-pocket expenses related to their duties.

We calculate all benefits in accordance with the Scheme Rules.

There were a number of transactions agreed between the Sponsor and the Trustee during the year which were as follows:

- The Trustee charges Invensys Limited for the administration costs associated with the Defined Contribution section of the Scheme. This amounted to £42k during the year (2020: £42k), which was outstanding at the year end.
- Schneider Electric provides office space to the Trustee for the Executive Office. The cost of the office space was £64k (2020: £64k).
- Group life insurance premiums are paid by Schneider Electric then recharged to the scheme. This amounted to £4k during the year (2020: £4k).

There have not been any payments made to Invensys Limited or any of its subsidiary companies out of Scheme funds in the past 12 months.

19 Valuation of annuity policies

The Trustee has included a valuation of annuity policies that it holds. To the extent that annuities are paid via the Scheme the expenditure and income are included within benefits payable and investment income respectively.

20 Guaranteed Minimum Pension Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and has formed a working group that continues to plan its approach to resolving this issue. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. A November 2020 High Court judgment ruled that Schemes were liable to equalise certain benefits transferred out of the Scheme that included an element of GMP. The provision at 31 March 2021 now includes an estimate of the liability for equalisation on past transfers out from the Scheme. The Trustee has obtained an estimate of the backdated benefits which relate to equalisation of scheme benefits paid or transferred prior to 31 March 2021 of £25.0m (2020: £20m). These estimates are based on the Trustee's view of the most likely equalisation methodology to be adopted and a top-down assessment of the likely impact on members.

Summary of contributions

Invensys Pension Scheme

Summary of contributions payable during the year ended 31 March 2021

During the year ended 31 March 2021, the contributions payable to the Scheme under the Schedule of Contributions applicable during the year were as follows:

	£k
Pension Protection Fund Levy reimbursement	93.7
Total contributions under Schedule of Contributions and per note 4 of the financial statements	93.7

/s/ Kathleen O'Donovan

K A O'Donovan
Chair of the Board

17 August 2021

Actuary's certificate of Schedule of Contributions

Name of scheme: Invensys Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2018 to continue to be met for the period for which the schedule is to be 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 18 October 2018.

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

/s/ S M Leake

Steve Leake
Fellow of the Institute and Faculty of Actuaries
XPS Pensions Limited
Tempus Court
Onslow Street
Guildford
Surrey GU1 4SS

18 October 2018

Independent auditor’s statement about contributions to the Trustee of the Invensys Pension Scheme

We have examined the summary of contributions to the Invensys Pension Scheme for the scheme year ended 31 March 2021 to which this statement is attached.

In our opinion contributions for the scheme year ended 31 March 2021 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the scheme actuary on 18 October 2018.

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 66 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of 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, a schedule of contributions and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions.

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

Use of our statement

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

/s/ Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
London

18 August 2021

Members' information

Please keep the Scheme informed if you change your address. You can write or telephone the Scheme Administrator using the details below.

Scheme administration

XPS Administration
36 Gallowgate
Newcastle upon Tyne
NE1 4TD

Phone: 0191 341 0600
Email: invensyspensions@xpsgroup.co.uk

If you need more information about the Scheme or your own pension position, please contact XPS Administration at the above address. You can also access your pension data online by visiting MyPension.com/ips.

The Scheme's website at www.invensyspensions.co.uk provides more detailed information on the Scheme and copies of historical newsletters.

Events calendar

Date	Event
August 2021	Issue of Scheme Report & Accounts
October 2021	Issue of 2021 IPS News
31 March 2022	End of Scheme financial year
September 2022	Issue of Scheme Report & Accounts
October 2022	Issue of 2022 IPS News

Website links

The links below have been chosen to provide you with information on pensions. Invensys Pensions is not responsible for the content or reliability of linked websites. Linking should not be taken as an endorsement of any kind. We cannot guarantee that these links will work all the time and we have no control over the availability of the linked pages.

Association of British Insurers

www.abi.org.uk

Association of Consulting Actuaries

www.aca.org.uk

Department for Work and Pensions

www.gov.uk/dwp

Financial Conduct Authority

www.fca.org.uk

Institute and Faculty of Actuaries

www.actuaries.org.uk

Pensions and Retirement Planning

www.moneyandpensionsservice.org.uk

HM Revenue & Customs

www.hmrc.gov.uk

Schneider Electric

www.schneider-electric.com

The Pensions Advisory Service

www.pensionsadvisoryservice.org.uk

Pensions Policy Institute

www.pensionspolicyinstitute.org.uk

The Pensions Management Institute

www.pensions-pmi.org.uk

The Pensions Ombudsman

www.pensions-ombudsman.org.uk

Pension Protection Fund

www.ppf.co.uk

The Pensions Regulator

www.thepensionsregulator.gov.uk

Glossary

Active member A member of a scheme who is presently accruing benefit under that scheme in respect of current service.

Actuarial assumptions The actuary's view of the future trends that will affect the Scheme's assets and liabilities.

Actuarial certificate The certificate required to be given by the actuary in certain circumstances, e.g. if there is a surplus or if there is a bulk transfer.

Actuary An actuary advises on financial questions involving probabilities relating to mortality and other contingencies. In relation to pension schemes, an actuary is a professional adviser who must be appointed by trustees under the Pensions Act 1995. The actuary assists the trustees (or managers) of a scheme on funding issues and conducts a regular actuarial valuation. Actuaries must be members of the Institute and Faculty of Actuaries.

Additional Voluntary Contributions (AVCs) Members can make AVCs to their occupational scheme. This enables them to have top-up benefits.

Augmentation The process by which a member or other person has his/her benefits increased by the Trustee, subject always to the consent of Invensys Limited as Founder of the Scheme and the payment of additional contributions as determined by the Trustee on the advice of the actuary.

Bonds A form of lending to a company, government or other entity. The borrowing entity pays regular interest on the bond and then repays the amount borrowed at a set date in the future.

Broad Bond Funds Funds investing in a variety of type of bonds. Investments would typically include bonds with a credit rating higher or lower than Investment Grade, or bonds issued by companies or governments in developed and developing economies.

Bulk PIE An offer made to pensioners to exchange some of their increasing pensions for a non-increasing pension.

Company The Company is Invensys Ltd, the sponsor and founder of the Scheme

Contributions The regular amounts paid into a scheme by a member and the regular and lump sum payments made by an employer to the scheme.

Covenant The promise by the Company that it will provide the funding for the Trustee to pay the benefits.

Credit Spreads A credit spread is the difference in yield between two bonds of similar maturity but different credit quality. Typically, the bond with the higher credit quality is issued by a government.

Deed of amendment A legal document that amends a scheme's trust deed and rules.

Deferred member A person who ceases to be an active member of a pension scheme, but does not receive his/her pension immediately.

Deficit The amount by which the value of future liabilities is greater than the value of the assets of a scheme.

Derivatives Investment assets and investment liabilities that derive their value from the price or rate of some underlying item.

Equities Stocks or any other security representing an ownership interest.

Foreign exchange forward contracts Contractual agreements to exchange specified currency amounts at a specific date in the future. The contracts are transacted in the over the counter market.

Fully funded The point when the value of a scheme's assets meets its future liabilities.

Fully funded scheme A scheme that has a 100% or greater funding level.

Futures Contract is a legal agreement to buy or sell a particular commodity or financial asset at a predetermined price at a specified time in the future.

Gilts are bonds issued by the UK Government to raise money. The investment is paid to the UK Government as a loan and the holder receives interest over a fixed period of time until the amount lent is repaid.

Governance The structure, behaviour, policies and procedures adopted by the Trustee to manage and control the scheme.

Guarantee A guarantee provided by Schneider Electric SE for up to £1.75bn to guarantee the obligations of the Scheme's participating employers.

Guaranteed Minimum Pension is the minimum pension which a United Kingdom occupational pension scheme has to provide for their members who were "contracted out" of the State Earnings-Related Pension Scheme (SERPS) when they were employed between 6 April 1978 and 5 April 1997.

Investment Grade Bonds Bonds with a rating from credit agencies such as Standard and Poor's or Moody's that suggest that they are highly likely to pay the interest owed and repay the amount borrowed when it is due.

Mortality The assumption made for the probability of death at each age and from which is derived a projection of how long a pension will be paid.

Options Contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Glossary
continued

Participating Employers The six companies that are responsible for supporting the Scheme to ensure that it can pay members' benefits as they fall due. The six companies are Invensys Limited and five of its subsidiary companies: BTR Industries Limited, Eurotherm Limited, IMServ Europe Limited, Schneider Electrics Controls UK Limited, and Schneider Electric Systems UK Limited.

Pension Protection Fund A fund set up under the Pensions Act 2004 that will provide pension payments, at a reduced rate, for pension schemes of insolvent companies. **Pensioner** A person who is currently receiving a pension from a scheme.

Repurchase agreement (also known as a repo) The sale of securities, together with an agreement for the seller to buy back the securities at a pre-agreed later date and price.

Reservoir Trust A trust that was created at the time of the sale of Invensys Rail division. It held assets that, under certain circumstances, would transfer to the Scheme.

Schedule of Contributions A formal agreement between the Company and the Trustee, which states the level of contributions to be paid to the Scheme by the Company and the members in the future.

Scheme The Scheme is the Invensys Pension Scheme.

Scheme Actuary The named actuary appointed by the trustees or managers of an occupational pension scheme under Section 47 of the Pensions Act 1995.

Scheme deficit/surplus The difference between the assets and liabilities of a scheme as assessed by the actuary at a valuation using a series of assumptions, which may give different results depending on the basis of the assumptions.

Sponsor The company that establishes and/or manages a pension for participating employees. The Company (Invensys Limited) is the Sponsor of the Invensys Pension Scheme.

Surplus The amount by which the value of a scheme's assets is greater than its future liabilities.

Swaps Contractual agreements between two parties to exchange streams of payments over time, based on specified notional amounts. Interest rate swaps relate to contracts that a scheme takes out with major brokers, in which the scheme either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In an inflation swap, the scheme pays or receives a fixed inflation rate in return for receiving or paying the actual inflation rate.

In a gilt total return swap, the scheme pays or receives a fixed or floating interest rate in return for receiving or paying the total return on a gilt specified in the contract.

In a credit default swap, the scheme pays or receives a premium in return for receiving or paying an amount if and when a credit event occurs, which may include a bankruptcy, a default, or a restructuring of an entity as specified in the contract.

Technical Provisions A prudent estimate, made on actuarial principles, of the future liabilities to meet the benefit payments to members in accordance with the scheme rules. These include pensions in payment (including those payable to survivors of former members) and benefits accrued by other members that will become payable in future.

Trustee The Trustee is Invensys Pension Trustee Limited, the corporate trustee of the Scheme.

Valuation An exercise undertaken to assess a scheme's assets and to determine its ability to meet its future liabilities.

Website

Find out more about your pension scheme by visiting:
www.invensyspensions.co.uk

Invensys Pensions

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36 Gallowgate
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NE1 4TD

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