THE PILKINGTON SUPERANNUATION SCHEME

ANNUAL REPORT – YEAR ENDED 31 DECEMBER 2016

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Trustee's Report

1. Chairman's Statement

The main investment event during 2016 has been the 'buy-in' with Pension Insurance Corporation plc ('PIC') but this was by no means the only activity. The buy-in represented a further securing of members' benefits. Along with the existing longevity insurance and the composition of the asset portfolio, this means the Pilkington Superannuation Scheme ('PSS') hedges 85% of its inflation and interest rate risk.

What does this mean? These assets shield the Scheme from the effects of movements in interest and inflation rates, both up and down. For example, in the immediate aftermath of the result of the referendum on membership of the EU in June, whilst the markets were highly volatile, the funding position of PSS remained largely unaffected at between 96%-98.4% funded on the Technical Provisions basis for the month to 23 July 2016. Many schemes, that were not so well hedged, fell prey to another significant increase in their deficits, caused by the volatility in the economic markets following the vote.

Turning to the Scheme's current funding position, we measure this on several different bases. The formal triennial valuation looks at the ongoing or Technical Provisions basis and also the more prudent solvency basis. The press often tend to quote the solvency basis when looking at cases such as BHS or Tata Steel, because this is the largest deficit number and makes headline news. However, in the 'normal course of business' we look at the Technical Provisions basis and when looking to carry out more de-risking we look at the valuation on a self sufficiency discount rate, a basis somewhere between the ongoing and solvency bases. At the time of the latest valuation dated 31 December 2014 these two measures were both in deficit – Technical Provisions £126m and the self sufficiency basis £268m. By the end of 2015 the position had improved to £94m and £230m respectively. The Trustee keeps these under review with a monthly roll-forward of the position by the Scheme Actuary taking account of changing economic conditions. These values are still in deficit but at 31 December 2016 on the roll-forward were at £58m for the Technical Provisions and £204m on the self sufficiency basis. All the actions we are taking on de-risking are trying to lock in any gains achieved over this period.

The Company continues to inject £25m per year in deficit repair contributions. It has contributed over £220m since the 2008 valuation, despite some very difficult trading conditions. In addition to this the Company meets the costs of Scheme administration and the professional fees associated with the PSS. The Company also pays the annual levy to the Pension Protection Fund which for 2016 was £1.19m. The Trustee acknowledges this strong and continuing support from the Sponsor.

During 2016 the Trustee has awarded a mandate to each of Alpha Real Capital LLP ('ARC') and to Aviva Investors Global Services Ltd. ('Aviva'). Aviva will invest in its UK commercial real estate and Private Finance Initiative project. This fund concentrates on assets in predominantly 'prime' locations with long leases benefitting from fixed or inflation-linked rental uplifts. This investment has been completed but as yet no funds have been drawn down. The ARC fund seeks to offer long-term high quality inflation-linked income streams by purchasing owner-operated real estate freeholds and collecting ground rents from the tenants.

These funds both form part of the liability matching part of the portfolio. As at the end of December 2016 approximately £32m has been invested into the ARC fund. The investments will be completed gradually as opportunities arise.

The major investment decision which was both taken and executed in 2016 was the buy-in of a portion of pensions which had come into payment since the longevity insurance was completed at the end of 2011. This amounted to approximately £232m of liability. In brief the buy-in which was executed with PIC is the payment of a premium to an insurance company in return for a stream of monthly payments which match very closely the benefits being paid to a group of pensioners. However, and most importantly, this income stream belongs to the Scheme as a whole, as the buy-in is an asset of the Scheme, not to the members whose benefits formed the basis for the calculation. These individuals are not in any way at a greater advantage or more secure than the rest of the members. The buy-in does however provide greater security for all members by reducing the Scheme's exposure to longevity risk and investment risk in respect of approximately £232m of the circa £2bn liabilities. This is an example of further de-risking action by the Scheme, a strategy that has been agreed with the Company as the appropriate way forward to afford greater security to the guaranteed benefits of the Scheme.

Since the end of the Scheme year at 31 December 2016, the Trustee has agreed with PIC to an extension of this initial buy-in to cover those beneficiaries whose pension went into payment in the period between the initial approach to PIC in March 2016 and the end of July 2016 shortly before the contract was signed. This further limits the exposure of the Scheme to economic and longevity risk.

The exercise last year to gain information about spouses and dependants significantly helped the Trustee to gain an advantageous premium for the buy-in. For this and the ongoing work associated with the Guaranteed Minimum Pension reconciliation exercise and the trivial commutation exercise, all of which are in addition to the 'business as usual' administration, I would like to thank the team within Group Pensions Department for their hard work and dedication to getting things right. There is now a full reconciliation of data with PIC to be completed which adds more to the work of the team.

During 2016 the terms of office of two of the Employee Directors elected by active members expired; Darren Gilchrist and Kevin McKenna were nominated for a further term and no other nominations were received. Hence I am delighted to report that Darren and Kevin were re-appointed by their fellow Employee Directors elected by active members without the need for a ballot.

Peter Thompson of BESTrustees, the independent trustee of the Scheme, retired and was replaced by Rachel Tranter who has been involved with the Scheme for several years. She is now BESTrustees' representative with Rachel Brougham acting as her alternate. Both Rachels are qualified actuaries and have significant experience in the pensions' world. I would like to take this opportunity to thank Peter for his contribution to the Trustee Board and for his time with us.

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The Trustee and the Company enjoy a good degree of collaboration in the running of the Scheme. Clearly everything is not agreed without some negotiation, but in general there is a great deal of cooperation. The Group Chief Financial Officer, Mark Lyons, with whom I had developed a good working relationship, left the Company at the end of March 2016. Mark was replaced as CFO by Kenichi Morooka who is based in Tokyo. I have met with Ken and Iain Smith (Finance Director – Global Finance) continues to present the full and half-year results to the Trustee Board and I see no reason why the good relations forged so far with the Company will not continue into the future. The Company also continues to provide regular information to the Trustee and its advisers on the financial state of the Company.

It just remains for me to thank my fellow Trustee Directors for their continuing diligence and dedication. The role does involve a significant amount of training and reading in preparation for the meetings and this is undertaken willingly and enthusiastically which makes my role as Chairman so much easier. The successful operation of a pension scheme requires the efforts and collaboration of many people, Trustee Directors, staff and management of Group Pensions Department, advisers and the Company representatives and I thank them all on my own behalf and that of the membership.

R.E.K. Greenfield

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2. Trustee and Advisers

Trustee Company	Pilkington Brothers Superannuation Trustee Limited ('the Trustee')
Registered Office	NSG European Technical Centre, Hall Lane, Lathom, Nr. Ormskirk, Lancashire L40 5UF

The Trustee is not a subsidiary of the Principal Employer (see below) or any of its subsidiaries. The shares in the Trustee are registered in the names of various Directors of the Trustee. There is no provision for the removal of the Trustee.

The Principal Employer ("the Company") is Pilkington Group Limited.

At 31 December 2016 the Allied Companies with employees contributing to the Scheme were:-

Pilkington Automotive Limited
Pilkington Retirement Services Limited
Pilkington Technology Management Limited
Pilkington United Kingdom Limited
Waterside Training Limited

There are 14 Directors on the Board of the Trustee Company.

Overall there are 7 Employer Directors and 7 Employee Directors, the latter being elected by the membership – 4 by the active members and 3 by the pensioner members.

Directors of the Trustee (as at 31 December 2016):

Employer Directors

R.E.K. Greenfield (Chairman) 2
S.M. Gange*1
R.P. Hemingway* 1
B.J. Kay^2
J. McKenna* 1
P. Wilkinson ^2
BESTrustees 2 (an independent trustee director represented by R Tranter and/or R Brougham)

Employee Directors

Directors elected by active members

N.J. Ellison 2
D.P. Gilchrist 2
J. Mafi 1
K.W. McKenna 1,2

Directors elected by pensioner members

S.J. Beesley* 1
D. Corf* 1
G. Sayers* 2

Secretary to the Trustee Company J.P. Halligan

The Directors asterisked are in receipt of pensions from the Scheme calculated in accordance with the Rules. All the Employee Directors elected by the active members and the Employer Directors marked ^ are contributors accruing pension in accordance with the Scheme Rules.

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The suffix '1' denotes the Director was a member of the Audit and Risk Committee; and '2' a member of the Investment Committee, in each case at the year end. Any two or more Directors (being at least one Employer and one Employee) can constitute an Ill Health or Death Benefit Committee.

The Trustee's Articles of Association provide that the Trustee Board is to comprise Employer Directors and Employee Directors, with the latter to include those nominated and if necessary elected by each of the Active member and Pensioner member constituencies. Employer Directors are elected by the existing Employer Directors and there are no provisions for removal.

Changes to the Board

There have been no changes to the Board during 2016. The terms of office of Mr Gilchrist and Mr K McKenna expired on 30 June 2016 and they were the only nominations for the elections in 2016 received. Consequently Mr Gilchrist and Mr K McKenna were re-appointed by the Employee Directors elected by the Active members for a six year term from 1 July 2016.

Consulting Actuaries Aon Hewitt Limited

Scheme Actuary J. Curtis FIA of Aon Hewitt Limited

Investment Consultant Towers Watson Limited

Investment and Insurance Managers

State Street Global Advisors Limited ('SSgA')
CBRE Global Collective Investors UK Limited ('CBRE')
Legal & General Assurance (Pensions Management) Limited ('LGIM')
Henderson Global Investors Limited ('Henderson')
Nephila Capital Limited ('Nephila')
Insight Investment Management (Global) Limited ('Insight')
Alpha Real Capital LLP
Aviva Investors Global Services Limited
Pension Insurance Corporation plc
Legal & General Assurance Society Limited

Investment Adviser H. Smart

Financial Advisers Gazelle Corporate Finance Limited

Legal Advisers Hogan Lovells International LLP

Independent Auditors PricewaterhouseCoopers LLP

Bankers National Westminster Bank plc

Custodian J P Morgan Chase Bank

Administration Group Pensions Department, Pilkington Group Limited

Enquiries about the Scheme should be addressed to:

Group Pensions Department
Pilkington Group Limited

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European Technical Centre
Hall Lane
Lathom L40 5UF Fax 01744 737336
or by email to: Pensions.Administration@nsg.com

Director Attendance at Meetings

Attendance of the Directors at the Board and other meetings in 2016 together with the maximum possible attendance was as follows:

Name	Board meetings	Investment Committee	Audit & Risk Committee	Investment Manager Presentations
K. Greenfield	5/5	4/4	n/a	1/1
BESTrustees	5/5	4/4	n/a	1/1
S. Beesley	5/5	n/a	3/3	1/1
D. Corf	4/5	n/a	3/3	1/1
N. Ellison	5/5	4/4	n/a	1/1
S. Gange	5/5	n/a	1/3	1/1
D. Gilchrist	4/5	3/4	n/a	0/1
R. Hemingway	5/5	n/a	3/3	1/1
B. Kay	4/5	2/4	n/a	1/1
J. McKenna	5/5	n/a	3/3	1/1
K. McKenna	5/5	4/4	2/3	1/1
J. Mafi	5/5	n/a	3/3	1/1
G. Sayers	3/5	3/4	n/a	1/1
P. Wilkinson	5/5	4/4	n/a	1/1

An Ill Health Committee may be formed by any two or more of the Directors (being at least one Employer and one Employee).

3. Membership

	Active	Deferred	Member Pensioners	Dependent Pensioners
31 December 2015	986	3,070	7,817	2,736
Adjustments	-	(3)	-	18
	986	3,067	7,817	2,754
Deaths	-	(10)	(278)	(196)
Retirements/New Dependents	(26)	(95)	121	131
Leavers - exited	-	(18)	(9)	(57)
Members leaving pensionable service prior to retirement	(28)	28	-	-
31 December 2016	932	2,972	7,651	2,632

4. Deeds Executed During 2016

During 2016, one Amending Deed was executed on 4 April 2016 to accommodate the cessation of contracting-out.

5. Actuarial Liabilities

Valuation of the Scheme as at 31 December 2014.

The valuation of the Scheme was agreed between the Company and the Trustee in June 2015. It was authorised by the Trustee on 26 June 2015 and the Company approval was granted on 28 July 2015. Following correspondence with the Pensions Regulator, which had requested information from the Trustee, the valuation documentation was signed by the Trustee and Company in January 2016 and then formally submitted to the Regulator.

The principal assumptions used in the valuation were as follows:

Discount rate	Gilt yield curve + 0.5% p.a.
RPI inflation	RPI inflation curve derived from gilt market
CPI inflation	RPI inflation less 0.7% p.a.
Pensionable Salary Increases	0.0% p.a.
Post-retirement mortality assumption – base table	100% of the standard S2 tables
Post-retirement mortality assumption – future improvements	CMI 2013 core projections with long-term rate of 1.5% p.a.

The Trustee and the Company have agreed that the achievement of full funding on the basis of these assumptions should be referred to as the Primary Funding Target. The Technical Provisions (or liabilities) were valued at £1.77bn. This does not include any allowance for non-statutory increases to pensions in payment.

The Scheme's assets at the valuation date totalled £1.644bn resulting in a deficit of £126m and a funding level of 93%. This position is improved from the deficit of £289m and funding level of 82% disclosed at the 2011 valuation. This improvement has arisen, despite the adverse impact of falling gilt yields and is largely attributable to investment returns being better than assumed and the deficit repair contributions paid by the Company. Between the two valuations the Company has paid £71m of such contributions into the Scheme.

The Recovery Plan agreed at the 2014 valuation is continuing and the Company has agreed to maintain payments at £25m per year being deficit repair contributions of £23m p.a. plus £2m p.a. in lieu of the Letter of Credit. Until the deficit on a Technical Provisions basis is eliminated, the Company remains under a best endeavours obligation to procure a replacement Letter of Credit but, until such time as it does, the additional £2m p.a. will continue to be paid.

These cash contributions will continue until October 2018. In order for the Secondary and Final Funding Targets to be met within the timescales agreed between the Company and Trustee, the parties have agreed a de-risking plan under which the level of investment risk taken by the Trustee will reduce as the funding level improves. The basis for measuring this funding (the Gilts Only Basis) is using a discount rate equivalent to the gilt yield curve with no margin and all other assumptions being the same as used in the Technical Provisions Basis.

The Company has also indicated its intention, subject to affordability, of continuing shortfall contributions beyond the requirements of the Recovery Plan at a rate to be agreed as part of future actuarial valuations and until such time as the

Secondary Funding Target is met. The Secondary Funding Target is to be fully funded on the Gilts Only Basis.

The Final Funding Target is to achieve a funding ratio of 110% on the Gilts Only Basis which is intended to represent a broad proxy for the full buy-out cost of the liabilities including a margin for the expenses of wind-up.

Between the valuation date (31 December 2014) and 31 December 2016, the funding position assessed by the asset value from the fund managers together with the 'roll forward' of the liabilities carried out by the Scheme Actuary, shows that the funding level had improved to 97% with a deficit of £58m.

The Scheme Actuary is also required to calculate the funding of the Scheme on a solvency or buy-out basis, looking at the amount of additional money required to be able to buy out the obligations of the Scheme with an insurance company. At the valuation date, the funding position on this basis was 76% with a deficit estimated at £509m. At 31 December 2016 the position on this basis was a ratio of 76% with a deficit of £597m.

Both the Trustee and Company seek stability for the Scheme and the de-risking plan results from this strategy. The funding position in 2016 has remained reasonably steady despite significant volatility in investment markets particularly around the time of the EU Referendum vote and more recently the US election result. This stability results from the liability hedging programme in place that protects against movements in interest and inflation rates.

6. Increases in Pensions

During 2016, only statutory increases to pensions in payment were awarded. The increase on different elements of pension is shown in the table below.

	basis	increase
Pension accrued between 5 April 1997 and 30 April 2005	CPI to March 2015 capped at 5%	0.5%
Pension accrued after 30 April 2005	CPI to March 2015 capped at 2.5%	0.5%
Post 5 April 1988 guaranteed minimum pension ('GMPs')	The Guaranteed Minimum Pension Increase Order 2015.	0%
Other pensions in payment	Non-statutory increase under the provisions of the Trust Deed only where 'in the opinion of the Actuary the financial state of the Scheme so permits'	0%

Paid up pensions, when becoming payable, are revalued in accordance with annual Revaluation Orders as required by legislation. In the case of paid up pensions coming into payment from 1 January 2015 this was by reference to the increases in the RPI up to September 2009 and in the CPI thereafter over the number of complete years in deferment subject to a maximum. The maximum is 5% per annum over the entire revaluation period for pension accrued before 6 April 2009 and 2.5% in the case of pension accrued after 5 April 2009.

7. Transfer Payments

Transfer payments made to other occupational schemes, qualifying registered overseas pension schemes, deferred annuity policies or personal pension contracts on behalf of members withdrawing from the Scheme during 2016 were calculated in accordance with the requirements of Section 97 of the Pension Schemes Act 1993. There were no discretionary benefits. 19 payments were made during the year.

8. Pensions Act Compliance and Governance

A copy of the Actuarial Certificate dated 18 February 2016 confirming the adequacy of the contribution rates is included at page 39.

The Financial Statements forming part of this Report (at pages 21-36) have been prepared and audited in accordance with regulations made under Sections 41(1) and 41(6) of the Pensions Act 1995.

The Trustee has a formal Internal Disputes Resolution Procedure, which is available on request from the Group Pensions Department, and is on the website (www.superpilk.com).

The Trustee continues to retain Gazelle Corporate Finance Limited ('Gazelle') to monitor the strength of the employer covenant and to report formally to the Trustee twice a year on this issue. During the 2014 valuation discussions, the information protocol was renewed and remains in place between the Company and Trustee to ensure that the Trustee and Gazelle have access to the information required to make a full assessment of the financial position of the sponsor. The Trustee continues to receive a presentation of full and half year results from a senior member of the finance function of the Company.

The Trustee has adopted and implemented a Governance Policy together with a Business Plan as recommended by the Pensions Regulator. It regularly assesses the performance of its advisers and of itself and makes changes where this is considered appropriate. The Board and Advisers also assess the performance of the Chairman and the Scheme Secretary.

The Trustee has a Conflict of Interests Policy and Register which are reviewed at least annually and has adopted a policy to identify and deal with any notifiable events or reportable breaches that might need to be reported to the Pensions Regulator.

The Trustee has developed and continues to review and update a Risk Register. Responsibility for this Register has been delegated to the Audit and Risk Committee which reviews it regularly with each of Group Internal Audit and PwC, the Scheme's independent auditors. These parties, together with Group Pensions Department, have been developing a more detailed risk and assurance mapping process to ensure there is adequate assurance that the controls are in place and operating fully.

A full pensioner existence check is carried out monthly on UK based pensioners and every 3 years for pensioners who are based overseas.

9. Scheme Developments

This table records the movements in various key Scheme values in the period from 2012-2016, to illustrate the Scheme's development.

	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Contributions and benefits					
Deficit contributions	**25,000**	25,000	25,166	23,000	23,000
Other Contributions receivable	**8,001**	8,533	11,780	12,110	19,063
	33,001	33,533	36,946	35,110	42,063
Benefits payable	**74,977**	76,529	77,916	83,054	78,431
Payments to and on account of leavers	**3,585**	1,963	2,743	1,943	1,237
	78,562	78,492	80,659	84,997	79,668
Net withdrawals from dealings with members	**(45,561)**	(44,959)	(43,713)	(49,887)	(37,605)
Returns on investments					
Investment income*	**39,407**	25,591	24,955	26,451	24,377
Change in market value of investments	**267,878**	(5,473)	256,532	11,975	127,536
Net investment management expenses	**(2,551)**	(2,231)	(1,917)	(2,613)	(3,187)
Net returns on investments	**304,734**	17,887	279,570	35,813	148,726
Net change in the Scheme value during the year	**259,173**	(27,072)	235,857	(14,074)	111,121
Net assets of the Scheme brought forward	**1,617,734**	1,644,806	1,408,949	1,423,023	1,311,902
Net assets of the Scheme carried forward	**1,876,907**	1,617,734	1,644,806	1,408,949	1,423,023

* No income is received from the managed funds held with SSgA, LGIM or Nephila. Investment returns from these funds are included in the change in market value.

10. Strategy Update

During 2016 there was less activity in the investment portfolio than had been the case in recent years. The emphasis continues to be on reducing risk in the Scheme which has been the aim for several years now.

Towards the end of 2015 the Trustee had extended the mandate for Insight in order that it could actively manage its part of the portfolio within relatively tight restrictions. Upon receiving the revised mandate Insight did restructure the portfolio to try to maximise the return whilst maintaining the hedged position.

The Scheme is still targeting a return of gilts +1.25% p.a. The property holdings have largely transferred from CBRE now, with ARC holding £30.4m in its ground

rent fund and Aviva having been awarded a mandate for an investment in its long lease fund but having yet to draw down any of the £40m allocation.
The Board meets all the active managers during the course of the year in order that it can question the representatives about any aspect of the investment. The Board also undergoes training in topical and relevant areas of investment as part of its programme.

The effect of the hedging against movements of interest and inflation rates was plain to see during the pre/post EU Referendum vote volatility and also more recently around the US election time. Had the Scheme not been hedged then it could potentially have suffered a significant deterioration of its funding position during 2016. This is not the case.

The major investment decision and event of 2016 was the purchase of a buy-in insurance contract with PIC. This covers the liabilities associated with beneficiaries whose pension has come into payment since the longevity insurance contract. It equated to c£232m of the liabilities and has recently (post year-end) been supplemented to include pensions coming into payment from March 2016 when the initial data was collated until late July 2016 when terms were finalised. The total cover is for c£250m of the liabilities. Gilts and corporate bonds were used to fund the investment but this represents a further reduction in overall risk to add to that of the longevity insurance and liability-driven investment portfolio which effectively cover the rest of the retired population.

The Board did explore the possibility of converting the longevity policy into a buy-in policy but this is not feasible at the current time. The Investment Committee will however keep this under review.

The allocation of assets at 31 December 2016 was as follows:

Asset Class and Investment Manager	Strategic Asset Allocation (%)	Tolerance Range
Return-seeking assets	*21.25*	*-6.5% / +2.5%*
UK equities (SSgA)	1.50	*-1.5% / +1.5%*
North America equities (SSgA)	5.00	*-2.5% / +2.5%*
Europe (ex UK) equities (SSgA)	2.00	*-1.0% / +1.0%*
Asia Pacific (inc Japan) equities (LGIM)	1.50	*-0.75% / +0.75%*
Emerging market (EM) equities (LGIM)	1.75	*-0.75% / +0.75%*
Property* (CBRE GIP)	2.50	*-2.5% / +1.5%*
Listed infrastructure (LGIM)	5.00	*-1.5% / +1.5%*
Reinsurance (Nephila)	2.00	*-2.0% / +2.0%*
Liability matching assets	*78.75*	*-2.5% / +6.5%*
UK corporate bonds (over 15 years) (Henderson)	8.00	*-8.0% / +2.5%*
UK corporate bonds (all stocks) (SSgA)	8.00	*-8.0% / +2.5%*
LDI portfolio** (Insight)	45.00	*-2.5% / +17.0%*
Cash (JP Morgan)	1.00	*-1.0% / +4.0%*
Secure Income Alternatives (ARC and Aviva)	5.00	*-5.0% / +2.5%*
Buy-in*** (PIC)	11.75	-

*The Trustee is gradually reducing this allocation towards zero
** Please note that the LDI portfolio includes an allocation to index-linked gilts held with JP Morgan as collateral for the Scheme's longevity swap transaction
***The buy-in target was calculated using value of the liabilities hedged and a rolled forward total Scheme valuation as at 8 August 2016.

A small amount of equity and venture capital investments previously managed by the in-house team and with no book value are still in the course of being liquidated.

The Trustee has produced a Statement of Investment Principles ('SIP') as required by Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004) and the Occupational Pension Schemes (Investment) Regulations 2005. The SIP in force at the year end was approved by the Trustee Board in September 2016. The SIP is regularly reviewed by the Investment Committee throughout the year and changes are approved by the Board, subject to or following consultation with the Company. A copy of the SIP is posted at www.superpilk.com and is available on request from the Group Pensions Department, Pilkington Group Limited.

Amongst the issues considered in the SIP are the Trustee's approaches to socially responsible investment and corporate governance. The Trustee has delegated decisions on both such issues to its investment managers. Social, environmental and ethical considerations are among the factors that the Trustee expects to be evaluated when an active investment manager is making decisions on the purchase, retention or sale of holdings. The Trustee monitors the Scheme's managers in relation to active ownership policy and practice, including how investment risks arising from environmental, social and corporate governance issues are addressed via annual active ownership reports provided by the Scheme's investment consultant.

The Trustee maintains and updates a Statement on the UK Stewardship Code and this has been registered and is available to view on the website of the Financial Reporting Council.

The Trustee expects its investment managers to vote the Scheme's equity holdings, where practical, and to advise it, quarterly, of issues on which they have voted against companies' managements.

Towers Watson Limited is the investment consultant of the Trustee.

11. Performance

The value of the Scheme assets at 31 December 2016 was £1,877 m compared to £1,618m the previous year. Within the change in value of the Scheme are the cash withdrawals to pay benefits, monthly contributions and deficit repair contributions received from the Company.

The one, three and five year performance figures are as follows:-

	Scheme	Scheme Benchmark	Difference
	%	%	%
1 year	20.4	17.8	2.6
3 year pa	13.5	12.5	1.0
5 year pa	10.5	6.7	3.8

The Scheme benchmark is the movement on Scheme liabilities on a gilts only basis.

12. Custodianship

The Trustee has appointed a single custodian for the Scheme's assets managed on a segregated basis (rather than in pooled funds), J P Morgan Chase Bank, thereby separating investment settlement procedures from the managers' decisions to make or realise investments. The assets that are managed in pooled funds have the following custodians all of whom have been appointed by the investment managers:

SSgA managed funds	State Street
Henderson managed fund	BNP Paribas Securities Services
LGIM managed funds	Citibank
Nephila managed funds	Bank of New York Mellon

13. Additional Voluntary Contributions

The Scheme offered contributory members the following choices regarding the payment of Additional Voluntary Contributions during 2016:

- to purchase additional service according to a formula determined in accordance with the provisions of Rule 21(a) of the Scheme's Rules, and/or

- to have contributions invested in with profits and/or unit linked funds offered by Prudential.

As at 31 December 2016 the number of contributors to each of the AVC options was:

• Additional service	31
• Prudential	8

From 6 April 2006 the maximum contribution to the Scheme AVC option, whichever is selected, has been 10% of Pensionable Salary.

Some members retain an investment with Equitable Life but this is no longer offered as an option for those investing in AVCs.

Statement of Trustee's responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- 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;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

The Trustee is responsible for supervising the preparation of the financial statements and for agreeing suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

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 also responsible for the maintenance and integrity of the www.superpilk.com website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable 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 that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

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

28 March 2017

Ken Greenfield

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Directors of Pilkington Brothers Superannuation Trustee Limited
Trustee of the Pilkington Superannuation Scheme

THE PILKINGTON SUPERANNUATION SCHEME

Independent auditors' statement about contributions to the Trustee of the Pilkington Superannuation Scheme

Statement about contributions

Our opinion

In our opinion, the contributions required by the schedule of contributions for the Scheme year ended 31 December 2016 as reported in Pilkington Superannuation Scheme's summary of contributions have in all material respects been paid in accordance with the schedules of contributions certified by the Scheme Actuary on 19 March 2013 and 18 February 2016.

What we have examined

Pilkington Superannuation Scheme's summary of contributions for the Scheme year ended 31 December 2016 is set out on the following page.

Responsibilities for the statement about contributions

Our responsibilities and those of the Trustee

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 relevant requirements.

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

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

What an examination of the summary of contributions involves

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

We test and examine information, using sampling and other techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 March 2017

THE PILKINGTON SUPERANNUATION SCHEME

Summary of Contributions payable in the year

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

	Employee £'000	Employer £'000
Required by the schedule of contributions		
Normal contributions	128	7,569
Deficit funding	-	25,000
Total	**128**	**32,569**
Other contributions payable		
Augmentations of individual members' benefits	-	300
AVCs	4	-
Total (as per Fund Account)	**132**	**32,869**

Employer normal contributions include £2,403,000 in respect of contributions paid under the Company's salary exchange arrangement, without which arrangement these would have been Employee contributions.

Signed on behalf of the Trustee:

Ron Greenfield

R.P. Perry

28 March 2017

THE PILKINGTON SUPERANNUATION SCHEME

Independent auditors' report to the Trustee of the Pilkington Superannuation Scheme

Report on the financial statements

Our opinion

In our opinion, Pilkington Superannuation Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2016, 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 Regulations 3 and 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.

What we have audited

Pilkington Superannuation Scheme's financial statements comprise:

- the statement of net assets available for benefits as at 31 December 2016;
- the fund account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 March 2017

THE PILKINGTON SUPERANNUATION SCHEME

Fund Account

for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Contributions and benefits			
Employer contributions	5	**32,869**	32,196
Employee contributions	5	**132**	1,337
Total contributions		**33,001**	33,533
Benefits	6	**(74,977)**	(76,529)
Transfers to other plans	7	**(3,585)**	(1,963)
		(78,562)	(78,492)
Net withdrawals from dealings with members		**(45,561)**	(44,959)
Returns on investments			
Investment income	9	**39,407**	25,591
Change in market value of investments	11	**267,878**	(5,473)
Net investment management expenses	10	**(2,551)**	(2,231)
Net return on investments		**304,734**	17,887
Net increase /(decrease) in the fund during the year		**259,173**	(27,072)
Opening net assets		**1,617,734**	1,644,806
Closing net assets		**1,876,907**	1,617,734

The notes to the financial statements on pages 23 to 36 form a part of these financial statements.

Statement of net assets available for benefits as at 31 December 2016

	Notes	**2016** **£'000**	2015 £'000
Investment assets	11		
Bonds		**1,220,082**	1,216,217
Pooled investment vehicles	12	**724,535**	600,937
Derivatives	13	**24,718**	8,313
Buy-in policy		**221,000**	-
Longevity insurance policy		**3,600**	3,000
AVC investments	14	**778**	667
Cash		**43,247**	14,451
Other investment balances		**9,760**	7,776
		2,247,720	1,851,361
Investment liabilities	11		
Derivatives	13	**(44,931)**	(7,275)
Amounts due under repurchase agreements		**(326,128)**	(225,348)
		(371,059)	(232,623)
Total net investments		**1,876,661**	1,618,738
Current assets	18	**2,232**	776
Current liabilities	19	**(1,986)**	(1,780)
Net assets available for benefits		**1,876,907**	1,617,734

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take into account such obligations, is dealt with in the Report on Actuarial Liabilities on page 9 of the Annual Report and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Trustee on 28 March 2017 and are signed on their behalf by:

Ron Greenhill

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R P ...

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Directors of Pilkington Brothers
Superannuation Trustee Limited

THE PILKINGTON SUPERANNUATION SCHEME

Notes to the Financial Statements 31 December 2016

1 General Information

The Scheme is a defined benefit scheme established in 1965 by the combination of the Pilkington Superannuation Fund, the Augmentation Fund and the Chance Superannuation Fund. The registered office of the Trustee is European Technical Centre, Hall Lane, Lathom L40 5UF.

In accordance with the provisions of paragraph 1(1)(a) of Schedule 36 of the Finance Act 2004, the Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. Its Pension Scheme Tax Reference number is 00274753RW and Pension Schemes Registry number is 10110999. The Scheme closed to new members in 2008 but is still open to future accrual. The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

2 Statement of Compliance

The individual financial statements of the Pilkington Superannuation Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 ("FRS 102") – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (Revised November 2014) ("the SORP").

3 Summary of significant accounting policies

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

(i) Contributions

(a) Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the Employer.
(b) Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions in force during the year.
(c) Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.
(d) Employer deficit funding contributions are accounted for on the due dates on which they are receivable under the Schedule of Contributions or on receipt if earlier with the agreement of the employer and Trustee.

(ii) Benefits

(a) Pensions in payment are accounted for in the period to which they relate.
(b) Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

(iii) Transfers to other plans

Individual transfers out of the Scheme are accounted for when member liability is discharged which is normally when the transfer amount is paid.

(iv) Investment income

(a) Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
(b) Income from pooled investment vehicles is accounted for when declared by the fund manager.
(c) Income from cash and short term deposits is accounted for on an accruals basis.
(d) Income on derivatives is accounted for when received.
(e) Income on the buy-in policy is recognised when the corresponding pension is paid.

(v) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. For pooled investment vehicles which do not distribute income the change in market value includes any income which is reflected in the unit price.

(vi) Valuation of investments

Investments are included at fair value as described below:

(a) Quoted securities in active markets are usually valued at the end of day bid prices at the reporting date.
(b) Unquoted securities are included at fair value estimated by the Trustee using appropriate valuation techniques. Bonds are valued by valuation techniques that use observable market data.
(c) Accrued interest is excluded from the market value of fixed interest securities and is included in investment income receivable.
(d) Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.
(e) Exchange traded futures are valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement prices at the reporting date and the inception date.
(f) Over the counter (OTC) derivatives are valued using the following valuation techniques:
    - Swaps – current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
    - Forward foreign exchange (Forward FX) – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date
(g) With profit insurance policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.
(h) Repurchase agreements are accounted for as follows:
    - Repurchase agreements (repo) – the Scheme continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

(i) The longevity insurance policy is valued as the difference between the projected payments on the fixed and variable legs discounted using assumptions advised by the Scheme Actuary and agreed by the Trustee, and accordingly the risk premium built into the product is effectively expensed on inception through the change in market value rather than spread over the potential life of the product, which is itself uncertain.

Future variations in the value of the longevity swap will be credited or expensed as they arise.

(j) Buy-in policies held by the Scheme are valued at the net present value of the pensions secured under the policy. Policies entered into are initially recognised as a Scheme asset at the value of the assets ceded to the insurance company at the date of inception. Subsequent revaluations are calculated on a technical provisions basis using assumptions advised by the Scheme Actuary.

(vii) Currency

The Scheme's functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year-end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction. Gains and losses on currency valuation are recognised in the change in market value.

(viii) Investment Management Expenses

Investment management expenses include fees deducted directly from pooled funds, rebates received and the contribution towards expenses received from Pilkington Group Limited.

4 **Critical assumptions used in calculating the fair value of investments**

In calculating the fair value of certain investments within level 3 of the fair value hierarchy the Trustee Directors, with support from their advisers, make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Longevity insurance policy
The longevity insurance policy is valued at the net present value of the fixed (payable) and floating (receivable) legs. In calculating the value of each leg, assumptions on inflation, interest rates and the future levels of mortality are made. As the inflation and interest rate assumptions affect both legs of the contract there is little overall impact on the net present value of the contract. Future levels of mortality, however, only impact the floating leg of the contract and accordingly an increase in the expected longevity of members will increase the value of the longevity insurance policy and vice versa.

(ii) Buy-in policy
The buy-in policy is valued at the net present value of the amounts payable to the pensioners secured under the policy. In arriving at the fair value a number of assumptions are made in order to estimate the future cost of pensions, including inflation, interest rates and mortality.

(iii) Key assumptions

The key assumptions used in arriving at the net present value of the investments referred to above are:

Discount rate	Gilt yield curve + 0.5% p.a.
RPI inflation	RPI inflation curve derived from gilt market
CPI inflation	RPI inflation less 0.7% p.a.
Pensionable Salary Increases	0.0% p.a.
Post-retirement mortality assumption – base table	100% of the standard S2 tables
Post-retirement mortality assumption – future improvements	CMI 2013 core projections with long-term rate of 1.5% p.a.

5 Contributions

	2016	2015
	£'000	£'000
Employer contributions		
Normal	**7,569**	6,853
Augmentations	**300**	343
Deficit Funding	**25,000**	25,000
	32,869	32,196
Employee contributions		
Normal	**128**	1,283
Additional Voluntary Contributions		
- added years	**4**	41
- money purchase	**-**	13
	132	1,337
Total contributions	**33,001**	33,533

Included within Employer normal contributions is £2,403,000 in respect of contributions paid under the Company's salary exchange arrangement (2015: £1,365,000).

Contributions are being made by the employer in respect of augmentations of certain benefits to individuals.

The employer contribution described as "Deficit funding" relates to contributions made in accordance with the funding agreement between the Trustee and the Company dated 19 March 2013. Further deficit funding contributions of £25 million per annum from 2017 to 2018 are payable in equal half-yearly instalments on 1 April and 1 October each year under a schedule certified on 18 February 2016.

Members are permitted to make Additional Voluntary Contributions into money purchase type arrangements under which contributions received are invested on behalf of the individuals concerned to provide additional benefits within the overall limits laid down by the Scheme's Rules (see also note 14). Members are also entitled to purchase additional defined benefits under the provisions of the Scheme.

6 Benefits

	2016 £'000	2015 £'000
Pensions	**69,541**	70,136
Commutations of pensions and lump sum retirement benefits	**4,793**	5,560
Lump sum death benefits	**643**	833
	74,977	76,529

The commutation of pensions figure includes £601,000 in respect of full commutation of trivial pensions (2015: £1,412,000).

7 Transfers to other plans

	2016 £'000	2015 £'000
Individual transfers out to other plans	**3,585**	1,963
	3,585	1,963

8 Administrative expenses

All costs of administration, other than Scheme investment expenses, were borne by Pilkington Group Limited.

9 Investment income

	2016 £'000	2015 £'000
Income from bonds	**28,801**	16,468
Income from pooled investment vehicles	**7,430**	8,312
Income from annuities	**3,031**	-
Interest on cash deposits	**137**	840
Income from swaps	**2,191**	67
	41,590	25,687
Other income and financing cost	**(2,183)**	(96)
	39,407	25,591

The increased income in bonds is due to a higher average bond holding during 2016 than during 2015.

10 Net Investment Management Expenses

Investment management expenses include fees deducted directly from pooled funds, rebates received and the contribution towards expenses received from Pilkington Group Limited.

	2016	2015
	£'000	£'000
External Investment Managers	**2,274**	2,019
Custodial Fees	**105**	92
Subsidy from Pilkington Group Ltd towards expenses	**(537)**	(531)
Investment advice	**332**	386
Irrecoverable VAT	**260**	227
Other expenses	**117**	38
Net expenses	**2,551**	2,231

11 Reconciliation of net investments

	Market value at 1 Jan 2016	**Purchases at cost and derivative payments**	**Sales Proceeds and derivative receipts**	**Change in market value**	**Market Value at 31 Dec 2016**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	1,216,217	484,124	(694,462)	214,203	**1,220,082**
Pooled investment vehicles	600,937	35,197	(14,293)	102,694	**724,535**
Derivatives	1,038	39,766	(25,087)	(35,930)	**(20,213)**
Longevity insurance policy	3,000	1,849	-	(1,249)	**3,600**
Buy-in policies	-	232,965	-	(11,965)	**221,000**
AVC investments	667	32	(17)	96	**778**
	1,821,859	793,933	(733,859)	267,849	**2,149,782**
Cash and cash equivalents	14,451			29	**43,247**
Amounts due under repurchase agreements	(225,348)			-	**(326,128)**
Investment debtor	-			-	**2,196**
Accrued investment income	7,776			-	**7,564**
	1,618,738			**267,878**	**1,876,661**

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions, dilution levies and stamp duty. Transaction costs incurred during the year amounted to £2,124,000 in respect of anti-dilution levies on the purchase of units in the Alpha ILIF fund (2015: £NIL). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

At the year-end £319,741,000 of bonds reported in Scheme assets are held by counterparties under repurchase agreements (2015: £218,411,000).

The cash balance includes £34,258,000 held as part of the LDI portfolio (2015: £4,507,000).

The key techniques used and assumptions made in valuing the buy-in policy are disclosed in note 4.

The majority of the Government bonds are easily bought or sold with the exception of £69m of bonds held in a segregated account as collateral for the longevity insurance policy. The unitised vehicles in which the Scheme invests, with the exception of the reinsurance, secure income alternative and certain property funds, deal regularly and are easily bought or sold. The reinsurance, secure income alternative and property funds are recognised as being less liquid. These funds amounted to £95,648,000 as at 31 December 2016 or 5% of the Scheme assets (2015: £66,638,000; 4%).

12 Pooled investment vehicles

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

	2016	2015
	£'000	£'000
Equity	**332,843**	271,556
Bond	**296,044**	262,743
Property	**23,079**	32,136
Reinsurance	**42,176**	34,502
Secure Income Alternatives	**30,393**	-
	724,535	600,937

All pooled investment vehicle managers are registered in the UK with the exception of Nephila, who manage the reinsurance fund, which is registered in Bermuda.

13 Derivatives

Objectives and Policies

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Scheme as follows:

Swaps – the Trustee's aim is to match as far as possible the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements. The Trustee has entered into interest rate swaps that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme. The LDI manager also has the power to use swaps for efficient portfolio management.

The loss on derivatives during the year is due to the change in market value of the interest rate swaps.

Forward FX - The policy is to hedge 100% of the value of the reinsurance and property funds and 50% of the value of European and North American equity funds through FX contracts.

At the year-end the Scheme had the following over the counter derivatives:

	2016 Assets £'000	2016 Liabilities £'000	2016 Total £'000	2015 Assets £'000	2015 Liabilities £'000	2015 Total £'000
Swaps	**22,738**	**(44,883)**	**(22,145)**	7,830	(4,283)	3,547
Forward FX contracts	**1,980**	**(48)**	**1,932**	483	(2,992)	(2,509)
	24,718	**(44,931)**	**(20,213)**	8,313	(7,275)	1,038

A summary of the Scheme's outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

(i) OTC swaps

Nature	**2016 Principal £'000**	**Expires**	**Fair Value Asset £'000**	**Fair Value Liability £'000**
Interest rate swaps(sterling denominated 3-6m coupon floating for fixed)	**164,767**	**2022-2065**	**6**	**(33,398)**
Interest rate swaps (sterling denominated 3-6m coupon fixed for floating)	**35,087**	**2020-2066**	**5,492**	**(2,267)**
Interest rate swaps (sterling denominated zero coupon fixed for floating)	**40,162**	**2025-2033**	**5,219**	**-**
Interest rate swaps (sterling denominated 6m coupon for 3m coupon)	**111,362**	**2046-2056**	**-**	**(233)**
Total return swaps(sterling denominated floating for UK treasury return)	**64,729**	**2017**	**-**	**(2,361)**
Total return swaps(sterling denominated UK treasury return for floating)	**216,820**	**2017-2018**	**9,513**	**-**
Inflation swaps (sterling denominated fixed for floating (UK RPI index))	**80,897**	**2022-2064**	**-**	**(6,624)**
Inflation swaps (sterling denominated floating (UK RPI index) for fixed)	**24,526**	**2027-2059**	**2,508**	**-**
Total 2016	**738,350**		**22,738**	**(44,883)**
Total 2015	403,943		7,830	(4,283)

At the end of the year the Scheme held collateral of £14,047,800 in respect of OTC Swaps (2015: £11,414,000) and had posted collateral in the form of bonds of £26,484,000 (2015: £1,248,000)

(ii) Forward FX

Currency
Forward exchange contracts entered into for the purpose of hedging

Contract	**Number of contracts**	**GBP Nominal '000**	**Net Asset £'000**	**Net Liability £'000**
Sell EUR for GBP	4	27,031	**717**	**(13)**
Sell USD for GBP	7	100,199	**1,263**	**(28)**
Sell SEK for GBP	1	378	**-**	**(7)**
Total 2016			**1,980**	**(48)**
Total 2015			483	(2,992)

14 AVC Investments

The Trustee holds assets invested separately from the main Scheme to secure additional benefits on a money purchase basis for those members electing to pay Additional Voluntary Contributions.

Members participating in this arrangement each receive an annual statement made up to 31 December confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2016	2015
	£'000	£'000
Equitable Life Assurance Society	222	213
Prudential	556	454
	778	667

15 Fair value determination

In preparing the financial statements the Trustee has adopted the provisions of 'Amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland – Fair value hierarchy disclosures (March 2016)' early. This results in the fair value of investments being classified as level 1/2/3 rather than category a/b/c as reported in the prior year. The table for 2015 shown below is presented on the same basis for consistency and is therefore restated from the positions reported in the prior year.

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

Level (1) The quoted price for an identical asset in an active market at the reporting date.

Level (2) When quoted prices are unavailable, a price which is observable either directly or indirectly.

Level (3) The price based on unobservable inputs for the asset.

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

	At 31 December 2016				Nature of risk			
	Level (1)	Level (2)	Level (3)	Total	currency	credit	interest	other
	£'000	£'000	£'000	£'000				
Bonds		1,220,082		1,220,082		√	√	√
Pooled investment vehicles		671,062	53,473	724,535	√	√	√	√
Derivatives			(20,213)	(20,213)	√	√	√	√
Insurance policies			3,600	3,600		√		√
Buy-in policy			221,000	221,000		√		√
AVC investments		778		778		√		√
Cash	43,247			43,247	√	√		
Other investment balances	(316,368)			(316,368)		√		
				1,876,661				

	At 31 December 2015				Nature of risk			
	Level (1)	Level (2)	Level (3)	Total	currency	credit	interest	other
	£'000	£'000	£'000	£'000				
Bonds		1,112,162	104,055	1,216,217		√	√	√
Pooled investment vehicles		568,801	32,136	600,937	√	√	√	√
Derivatives			1,038	1,038	√	√	√	√
Insurance policies			3,000	3,000		√		√
AVC investments		667		667		√		√
Cash	14,451			14,451	√	√		
Other investment balances	(217,572)			(217,572)		√		
				1,618,738				

16 Investment risk disclosures

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

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

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

- Currency risk: this is the risk that the fair value or future cash flows of a financial 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 Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular review of the investment portfolio.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the longevity insurance policies nor AVC investment as these are not considered significant in relation to the overall investments of the Scheme.

THE PILKINGTON SUPERANNUATION SCHEME

(i) Investment strategy

The investment objective of the Scheme is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Scheme payable under the trust deed and rules as they fall due.

The Trustee sets the investment strategy taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Scheme and the funding agreement with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

The current strategy is to hold:

- 78.75% in investments that move in line with the long term liabilities of the Scheme. This is referred to as LDI and comprises UK Government bonds, pooled investment vehicles, buy-in policies and interest and inflation rate swaps, the purpose of which is to hedge against the impact of interest rate and inflation movements on long term liabilities.
- 21.25% in return seeking investments comprising pooled investment vehicles to give exposure to global equities, reinsurance, secure income alternatives and European property.

(ii) Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, OTC 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 the pooled investment vehicles and 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 government bonds where the credit risk is minimal, or quasi-governmental bonds.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 13(i)). Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade. This is the position at the year-end.

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

Credit risk on repurchase agreements and the longevity insurance policy are mitigated through collateral arrangements.

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

The Scheme is also subject to direct credit risk arising from its investment in a buy-in policy with PIC. This is mitigated by the fact that PIC is regulated by the Prudential Regulation Authority and the payments due under the policy are protected 100% by the Financial Services Compensation Scheme.

Pooled investment arrangements used by the Scheme comprise unit linked insurance contracts and authorised unit trusts.

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by only investing in funds which hold at least investment grade credit rated investments.

The information about exposure to and mitigation of credit risk above applied at the current and previous year end.

(iii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. This risk is mitigated by the purchase of forward foreign currency contracts and by investing in a fund which is hedged back to sterling.

(iv) Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds and interest rate swaps (either as segregated investments or through pooled vehicles) and cash. The Trustee has set a benchmark for total investment in bonds, buy-in and interest rate swaps of 78.75% of the total investment portfolio, as part of their LDI investment strategy. Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the year end the LDI portfolio represented 77.12% of the total investment portfolio (2015: 78.76%).

(v) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities, property and reinsurance, held in pooled vehicles. The Scheme has set a target asset allocation of 21.25% of investments being held in return seeking investments. The actual allocation at the year-end was 22.88% (2014 21.24%).

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

Longevity risk arises on the pricing of the longevity swap and buy-in policy.

17 Self investment

There was no direct employer-related investment during the year or at the year-end. The Scheme had no indirect holdings in NSG through its pooled investment vehicles at 31 December 2016 or 2015.

18 Current assets

	2016	2015
	£'000	£'000
Contributions due from employer in respect of:		
Normal contributions	**231**	-
Cash balances	**1,483**	245
Other debtors	**518**	531
	2,232	776

19 Current liabilities

	2016	2015
	£'000	£'000
Unpaid benefits	**1,122**	1,213
Investment management expenses	**839**	511
Other accrued expenses	**25**	56
	1,986	1,780

20 Related party transactions

The Scheme has received contributions (included in note 5) in respect of Directors of the Trustee who are also contributing members of the Scheme.

The Scheme has paid benefits (included in note 6) to Directors of the Trustee who are also beneficiaries of the Scheme.

All of the above transactions are in accordance with the Rules of the Scheme.

The Trustee Directors received total fees of £80,000 (2015: £85,000) from Pilkington Group Limited for their services to the Scheme.
Administration and accountancy services were provided and paid for by Pilkington Group Limited. Pilkington Group Limited also contributed £537,000 (2015: £531,000) towards investment management expenses.

21 Subsequent events

There have been no material subsequent events.

22 Concentration of investments

The following investments represent more than 5% of the net assets of the Scheme at the year end or prior year end:

	2016	2015
Henderson managed – Global Investors Long Dated Credit	**7.8%**	7.9%
SSgA managed – Sterling Corporate Bonds	**8.0%**	8.3%
SSgA managed – North American Equity Index	**6.3%**	5.5%
LGIM managed – Infrastructure Equity	**4.9%**	5.2%
PIC – buy-in	**11.8%**	-

23 Contingencies and commitments

Other than the liability to pay future pensions, there were no material contingent liabilities of the Scheme at 31 December 2016 or at 31 December 2015. As at 31 December 2016, the Scheme had a commitment of £7,540,000 to ARC and £40,000,000 to Aviva (2015: £40,000,000; £Nil).

THE PILKINGTON SUPERANNUATION SCHEME

PILKINGTON SUPERANNUATION SCHEME

SCHEDULE OF CONTRIBUTIONS

Introduction

This schedule of contributions is required by section 227 of the Pensions Act 2004. It comes into effect on the date of its certification by the Scheme Actuary and covers the period to the fifth anniversary of the date of certification. The Trustee is responsible for preparing a revised schedule no later than 31 March 2019.

Participating Employers

This schedule covers contributions to the Scheme from all employers who participate in the Scheme from time to time.

Employer Contributions

The participating employers will contribute to the Scheme as follows:

Type	Amount
Regular	• 16.0% of Pensionable Salaries in respect of Higher Accrual Members • 12.5% of Pensionable Salaries in respect of Lower Accrual Members *Note: The above contributions are payable in respect of all members (including PEPS members, for whom the contributions below are payable in addition).*
PEPS top-up	Over the period to 31 January 2016: • 7.4% of Salaries in respect of PEPS Members Over the period from 1 February 2016: • 8.7% of Salaries in respect of PEPS Members
Additional contributions to satisfy the recovery plan dated 20 January 2016	• Fixed monetary contributions of £23M p.a., and • Fixed monetary contributions of £2M p.a. payable in lieu of the renewal of the letter of credit. Both payments are payable in equal half yearly instalments on 1 April and 1 October, with the last payment due on 1 October 2018.

With the exception of the recovery plan contributions shown above, which are payable on or before the dates shown, the participating employers will ensure that the Trustee receives these contributions within 19 days of the end of the calendar month to which the contributions relate.

THE PILKINGTON SUPERANNUATION SCHEME

Employee Contributions

Employees who are active members of the Scheme will contribute to the Scheme as follows (see "Salary Sacrifice Arrangement" below):

Type	Amount
Regular	• 8.0% of Pensionable Salaries in respect of Higher Accrual Members • 5.5% of Pensionable Salaries in respect of Lower Accrual Members

These amounts do not include members' Additional Voluntary Contributions.

The employers will ensure that the Trustee receives the contributions payable by their employees within 19 days of the end of the calendar month in which the contributions were deducted from the employees' salaries.

Salary Sacrifice Arrangement

Active members who participate in the Salary Sacrifice arrangement will not pay contributions to the Scheme (except possibly AVCs). Instead participating employers will contribute an additional amount to the Scheme on the members' behalf equal to the contributions the members would have paid had they not participated in the Salary Sacrifice Arrangement.

Expenses

The costs of administration, professional fees, the Pension Protection Fund levy and other levies are met directly by the employers and do not appear on this schedule.

Signed on behalf of Pilkington Brothers Superannuation Trustee Limited

Name:

Position: Director | Director

Date: 10/2/2016 | 10/2/2016

Signed on behalf of Pilkington Group Limited

Name: IAIN SMITH

Position: DIRECTOR

Date: 10/02/2016.

Note: Pilkington Group Limited has been nominated as the employers' representative for this purpose.

THE PILKINGTON SUPERANNUATION SCHEME

PILKINGTON SUPERANNUATION SCHEME

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2014 to be met by the end of the period specified in the recovery plan dated 20 January 2016.

Adherence to statement of funding principles

I certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 20 January 2016.

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

Signature

J. E. M. Curtis

Date

18 February 2016

Name

Jane Curtis

Qualification

Fellow of the Institute and Faculty of Actuaries

Address

Verulam Point
Station Way
St. Albans
AL1 5HE

Name of employer

Aon Hewitt Limited

Appendix 5: Certificate of technical provisions

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

Pilkington Superannuation Scheme ('the Scheme')

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2014 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 20 January 2016.

J. E. M. Curtis

Jane Curtis

Fellow of the Institute and Faculty of Actuaries

20 January 2016

Aon Hewitt Limited

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