THE PILKINGTON SUPERANNUATION SCHEME

ANNUAL REPORT – YEAR ENDED 31 DECEMBER 2017

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Trustee's Report

1. Chairman's Statement

I am writing to you as we are undertaking the formal triennial valuation of Pilkington Superannuation Scheme ('the Scheme') as at 31 December 2017 – and it is true that a great deal has happened since the last valuation in global economic terms as well as to the Scheme itself.

In this annual review I will try to point out the more important features of the year that has just passed, look ahead to the anticipated outcome of this new valuation and try to set out what the results may mean for the Scheme and yourselves, the members.

I took over the Chair of the Board of the Trustee of the Scheme at the start of 2014, the year of the last valuation. Circumstances were very difficult generally in the economy and for the Company but it was still continuing to contribute £25m per annum into the Scheme. It has continued to contribute at this level and is committed to do so through 2018. The negotiations around the forthcoming valuation will determine the contributions payable by the Company beyond that point.

The Trustee, through its actuarial adviser, Aon Hewitt, tracks the funding position of the Scheme on a monthly basis. The economic conditions are updated to reflect the current position, but the membership data is only updated at each valuation – so is currently based on the 2014 data. However, it is expected that the results of the 2017 exercise will be reasonably close to the results from the Aon tracking model. The welcome news is that this tracker has shown the Scheme to be in balance on the ongoing (or Technical Provisions) basis for several months now, in other words our assets equal or are slightly higher than our liabilities The position in 2014 was a deficit on this basis of £126m so there has been good progress made and the funding is ahead of the plan in the Memorandum of Understanding signed with the Company. The formal results will be known in Spring 2018 and the timetable has already been set for the negotiation meetings with the Company with the aim of reaching an agreed position by Summer. Full details will be shared with you once this is completed, but for the first time since the 2005 valuation we are anticipating no deficit on the ongoing basis.

As well as looking ahead, I would like to report the activity that has been undertaken by the Trustee during the past year. The year began with the addition of a second tranche of liabilities to the 'buy –in' insurance to increase the value of this protection to c£250m in total. This affords a level of protection against all the major risks faced by the Scheme – volatility, investment, inflation and longevity. You will recall that the Trustee had already secured insurance for around £1bn of the liabilities against the risk of longevity exceeding that assumed by the Actuary back in 2011. Consequently the level of risk being taken by the Scheme and therefore being underwritten by the Company continues to decrease. In addition the risks of interest rate and inflation rate volatility are each hedged to 85% of our liabilities and this level of protection increases as the funding level improves. Overall these risk protections ensure that the Scheme's funding level is becoming more and more resilient to any changes in economic and demographic changes.

The Trustee undertakes a new valuation most years on the Pension Protection Fund ('PPF') basis – this values those benefits that would be covered by the PPF if the Company were to become insolvent and unable to fund the Scheme. By finalising the Scheme financial statements for the year ended 31 December 2016 and completing the PPF valuation by 31 March 2017, the Trustee achieved a saving against the PPF levy of around £650k. The levy (which is paid by the Company) was still £1.03m but you will understand the benefit of this cash saving.

The Company gives the Board a presentation of its full and half year results and a senior member of the finance function attends the relevant Trustee Board meetings and answers questions. In addition, the Trustee receives a review of the Company's covenant (the ability of the Company to stand behind the Scheme and afford contributions) after each of these sets of results. In recent years, Gazelle Corporate Finance Limited has undertaken this role for the Trustee, but recently due to key staff changes it was decided to put this work out to tender and Lincoln Pensions Limited has been selected to fulfil this role for the Trustee going forward. Relations between the Trustee and Company are good and have been so over many years, certainly since I joined the Board in 2012 and I have endeavoured to maintain this good working relationship since taking the Chair. There is a good spirit of cooperation and a collaborative approach to reaching the shared goal of full funding on the basis of a gilts-only discount rate, a conservative and prudent measure, within a reasonable time-frame. At the point this is achieved then the Scheme will in effect be self sufficient and should not have to rely on further cash contributions from the Company. This will mean that the Company will then be able to invest more into its own growth and future.

There have been several changes to the Board of Directors during the year. Nikki Ellison and Ben Kay each left the Company and resigned as directors. Graham Ingle was elected to replace Nikki, but when Ben resigned it was decided not to replace him immediately. Graham Ingle has since ceased to be an active member and so has also resigned from the Board. The Board, therefore, currently numbers 12 and is equally split between Member nominated and Employer Directors. The Board has decided to have a year's trial at this reduced number, since 12 still represents a large Board compared to many other schemes.

The Board takes its responsibilities very seriously and undergoes training ahead of every Board meeting. Usually this training is undertaken by the Trustee's advisers and covers topics relevant to the Scheme at the time. The Board also assesses its own performance and that of myself as Chair and the Scheme Secretary each year and it asks the advisers to comment also and give a comparative view against other schemes which they advise. The Board reviews its policies, committee terms of reference, investment decisions, risk register and governance documents at least annually and the membership of the Board includes two directors who are completely independent of the Company. The Trustee has considered integrated risk management, which looks at all the risks faced by the Scheme and the Company, undergone training on the topic and developed a plan of action should such risks materialise. It is also considering very carefully at present the impact of cybersecurity and the new General Data Protection Regulation, the likely impact of these issues and what measures can be taken to protect the Scheme and its operation and to ensure compliance with the new requirements. The pensions' landscape is constantly changing and it requires dedication and effort on the part of all concerned in running the Scheme to ensure we are all up to date.

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This year there has perhaps been less investment activity than in recent times because the investment portfolio is largely designed to match the liabilities, leaving less need for changes. The Trustee believes the return-seeking part of the portfolio is now adequately diversified and will achieve the target returns without the need to take any further investment risk. During the year, the Investment Committee did examine other types of alternative investments that are available to it but decided, on advice from its Investment Consultant, that the current design of the portfolio is appropriate. The investment in Alpha Real Capital, the ground rent fund, is now fully drawn down although the investment in the similar secure income fund with Aviva has yet to begin being drawn. There is a timetable for the disinvestment from CBRE (property) and the currency hedging has been moved from State Street Global Advisers and is now carried out by Insight for the Trustee, as this reduces the need to hold cash collateral with two managers.

The final issue I would like to address once again is the topic of increases to pension built up before April 1997 or non-statutory increases ('NSIs'). As I explained in my letter in June 2017, the funding position of the Scheme is improving but is not yet anywhere close to being sufficiently strong to justify adding to the existing obligations of the Scheme – or to put it another way, to increase the guaranteed liabilities which must be met. The Company has contributed c.£250m since 2008 and whilst it has been and continues to be willing to meet its guaranteed obligations, it is not prepared to fund increases which it is not legally obliged to do. The Trustee understands this stance and recognises that the Company has many different calls on its resources and therefore is willing to accept that the fund must be sufficiently well funded to be able to meet all the guaranteed benefits before any NSIs may be awarded. In reality, as the Q and A document said in the Summer, the Scheme's ability to award any NSIs is a long way away and may indeed never be reached.

I take this opportunity on my own behalf and, I hope on behalf of the membership, to thank the Directors who work tirelessly for the Scheme and to thank Group Pensions Department who administer the Scheme so efficiently and this year have had the additional work of the reconciliation of the 'buy-in' data, the exercise to advise paid-up members of their options as well as the ongoing Guaranteed Minimum Pension reconciliation to add to their burden. I think it is also worthy of mention and thanks that the Trustee's advisers, and the Company, with its advisers, work well together for the benefit of the Scheme – thanks to all.

Ron Greenfield

R.E.K. Greenfield

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 2017 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 currently 12 Directors on the Board of the Trustee Company.

There are 6 Employer Directors and 6 Employee Directors, the latter being elected by the membership – 3 by the active members and 3 by the pensioner members.

Directors of the Trustee (as at 31 December 2017):

Employer Directors

R.E.K. Greenfield (Chairman) 2
S.M. Gange*1
R.P. Hemingway* 1
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
D.P. Gilchrist 2
J. Mafi 1
K.W. McKenna 1,2

Directors elected by pensioner members
S.J. Beesley* 1
D. Corf* 1,2
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 Director marked ^ are contributors accruing pension in accordance with the Scheme Rules.

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 changes to the Board during 2017. Mrs Ellison left the employment of the Company on 31 March 2017 and therefore was obliged to resign as an Employee Director. In accordance with the Articles of Association, Mr. Graham Ingle was invited to join the Board in place of Mrs Ellison, accepted the invitation and was duly elected by the remaining Employee Directors to serve from 28 March 2017. Mr Ingle ceased to be an active member of the Scheme on 1 November 2017 and at the same time resigned as a Trustee Director. On 31 August 2017 Mr. Kay resigned as an Employer Director. The Board discussed the matter and decided that the Board would remain at 12 Directors for a year and then the operation would be reviewed and either remain at 12 or be increased back to 14.

Mrs Mafi ceased to be an active member of the Scheme on 31 January 2018 and was therefore obliged to resign as an Employee Director. Mr Luck was invited to join the Board in place of Mrs Mafi and was elected by the remaining Employee Directors to serve from 23 March 2018.

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 ('ARC')
Aviva Investors Global Services Limited ('Aviva')
Pension Insurance Corporation plc ('PIC')
Legal & General Assurance Society Limited ('LGAS')

Investment Adviser H. Smart

Financial Advisers Gazelle Corporate Finance Limited until November 2017
Lincoln Pensions Limited from November 2017

Legal Advisers Hogan Lovells International LLP

Medical Adviser Dr D. B. Shackleton

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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
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 2017 together with the maximum possible attendance was as follows:

Name	Board meetings	Investment Committee	Audit & Risk Committee	Investment Manager Presentations
K. Greenfield	6/6	3/3	n/a	1/1
BESTrustees	6/6	3/3	n/a	1/1
S. Beesley	5/6	n/a	3/3	1/1
D. Corf	5/6	n/a	3/3	1/1
N. Ellison	1/2	1/1	n/a	n/a
S. Gange	3/6	n/a	2/3	0/1
D. Gilchrist	3/6	2/3	n/a	1/1
R. Hemingway	6/6	n/a	3/3	1/1
G. Ingle	3/3	n/a	n/a	1/1
B. Kay	3/4	2/2	n/a	1/1
J. McKenna	6/6	n/a	3/3	1/1
K. McKenna	6/6	3/3	3/3	1/1
J. Mafi	6/6	n/a	3/3	1/1
G. Sayers	4/6	2/3	n/a	1/1
P. Wilkinson	6/6	3/3	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 2016	932	2,972	7,651	2,632
Adjustments	(1)	(15)	(13)	(17)
	931	2,957	7,638	2,615
Deaths	(2)	(5)	(307)	(173)
Retirements/New Dependents	(25)	(131)	156	147
Leavers - exited	-	(87)	(16)	(51)
Members leaving pensionable service prior to retirement	(91)	91	-	-
31 December 2017	813	2,825	7,471	2,538

Adjustments to the opening membership numbers occur when there is a time lag from the date a member joins or leaves the Scheme and the date the information is received by the Administrators and updated in the membership numbers.

Of the members above, the Scheme received income from the buy-in policy equal to the value of pensions in respect of 819 pensioners (2016: 768) and 672 dependents (2016: 651). This income does not belong to these individuals but to the Scheme. The Scheme had longevity insurance to cover the mortality risk for a further 6,457 pensioners (2016: 6,765) and 1,726 dependents (2016:1,868)

4. Deeds Executed During 2017

During 2017, there were two Deeds of Amendment executed. The first which was executed on 20 June 2017 concerned the removal of the need for an individual to be named in order to be given consideration for receipt of a dependent's pension. It remains a requirement that evidence of financial dependency satisfactory to the Trustee must be produced in order for such a pension to be awarded.

The second Deed of Amendment provided for the removal of the requirement to retire from employment with any of the Principal Employer or the Allied Companies before being able to draw one's pension. This Deed was executed on 6 November 2017.

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 had 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. 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 confirmed its intention to continue shortfall contributions beyond the requirements of the Recovery Plan at a rate to be agreed as part of the 2017 actuarial valuation 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 was intended to represent a broad proxy for the full buy-out cost of the liabilities including a margin for the expenses of wind-up. The agreement is that once full funding to the Secondary Funding Target is reached then the final Funding Target will be reached through the returns on the Scheme's investments. This target may now be too high given the current pricing for buying-out liabilities and it will be reviewed at the forthcoming valuation and revised if this is appropriate.

Between the valuation date (31 December 2014) and 31 December 2017, 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 101% but this will be refined and more accurate once the results of the full valuation at 31 December 2017 are known.

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 2017 the position on this basis on the roll forward was a ratio of 83% with a deficit of £402m.

Both the Trustee and Company seek stability for the Scheme and the de-risking plan results from this strategy. The funding position in 2017 has shown a slow but steady improvement despite some volatility in investment markets. This stability results from the liability hedging programme in place that protects against movements in interest and inflation rates.

6. Increases in Pensions

During 2017, 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 2017 capped at 5%	2.3%
Pension accrued after 30 April 2005	CPI to March 2017 capped at 2.5%	2.3%
Post 5 April 1988 guaranteed minimum pension ('GMPs')	The Guaranteed Minimum Pension Increase Order 2017.	1.0%
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 increases 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 2017 were calculated in accordance with the requirements of Section 97 of the Pension Schemes Act 1993. There were no discretionary benefits. 87 payments were made during the year (2016: 19). This shows a marked increase in number and value of transfers in comparison with earlier years which is believed to have resulted from the new regime for defined contribution schemes.

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 40.

The Financial Statements forming part of this Report (at pages 22 - 37) 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 no longer retains Gazelle Corporate Finance Limited ('Gazelle') but in November 2017 appointed Lincoln Pensions Limited in its place 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 its covenant adviser 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 2013-2017, to illustrate the Scheme's development.

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Contributions and benefits					
Deficit contributions	**25,000**	25,000	25,000	25,166	23,000
Other Contributions receivable	**7,499**	8,001	8,533	11,780	12,110
	32,499	33,001	33,533	36,946	35,110
Benefits payable	**75,022**	74,977	76,529	77,916	83,054
Transfers to other plans	**24,302**	3,585	1,963	2,743	1,943
	99,324	78,562	78,492	80,659	84,997
Net withdrawals from dealings with members	**(66,825)**	(45,561)	(44,959)	(43,713)	(49,887)
Returns on investments					
Investment income*	**44,090**	39,407	25,591	24,955	26,451
Change in market value of investments	**77,873**	267,878	(5,473)	256,532	11,975
Net investment management expenses	**(1,558)**	(2,551)	(2,231)	(1,917)	(2,613)
Net returns on investments	**120,405**	304,734	17,887	279,570	35,813
Net change in the Scheme value during the year	**53,580**	259,173	(27,072)	235,857	(14,074)
Net assets of the Scheme brought forward	**1,876,907**	1,617,734	1,644,806	1,408,949	1,423,023
Net assets of the Scheme carried forward	**1,930,487**	1,876,907	1,617,734	1,644,806	1,408,949

* 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 2017 there was only moderate activity in the investment portfolio. The emphasis continues to be on reducing risk in the Scheme which has been the aim for several years now. The Scheme targets a return of gilts +1% pa.

Whilst the ARC investment (ground rent fund) is fully drawn down there has still not been any of the Aviva fund drawn down. The Investment Management Agreement with Aviva, for a mandate of £40m, was signed in June 2016 and whilst the Trustee anticipated some delay before the funds would be fully drawn, it did not expect this to be over eighteen months before any money would be invested. The Trustee is advised by Aviva that the expected drawdown date is now the second half of 2018.

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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 has been clear to see over the past few years. Had the Scheme not been hedged then it could potentially have suffered a significant deterioration in its funding position during recent volatility, but, with the benefit of hedging, the position has remained stable.

Following the buy-in completed in 2016 and the additional small supplementary tranche added in January 2017 there has been a relatively quiet time in terms of changes to the portfolio. The Board re-visited the feasibility of converting the longevity insurance to a buy-in, but this remains not feasible at the moment. The Investment Committee will continue to keep this under review.

The allocation of assets at 31 December 2017 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)	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)	7.00	*-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)	12.75	-

*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 2017. 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 2017 was £1,930m compared to £1,877m 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	7.0	1.8	5.2
3 year pa	8.6	6.2	2.4
5 year pa	9.7	6.8	2.9

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. 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 2017 or 2016.

14. Additional Voluntary Contributions

The Scheme offered contributory members the following choices regarding the payment of Additional Voluntary Contributions during 2017:

- 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 2017 the number of contributors to each of the AVC options was:

• Additional service	26
• 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.

THE PILKINGTON SUPERANNUATION SCHEME

Statement of Trustee's responsibilities

Trustee's responsibilities in respect of the financial statements

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

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

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

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

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

The Trustee is also responsible for the maintenance and integrity of the 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 to the Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

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

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

23 March 2018

Ken Greenfield ....

Directors of Pilkington Brothers Superannuation Trustee Limited
Trustee of 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 2017 as reported in Pilkington Superannuation Scheme's summary 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 February 2016.

We have examined Pilkington Superannuation Scheme's summary of contributions for the Scheme year ended 31 December 2017 which is set out on the following page.

Basis for opinion

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

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

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

Auditors' responsibilities in respect of the statement about contributions

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

Use of this report

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
23 March 2018

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
Normal contributions	133	6,673
Deficit funding	-	25,000
Required by the schedule of contributions and reported on by Scheme auditor	**133**	**31,673**
Other contributions payable		
Augmentations of individual members' benefits	-	692
AVCs	1	-
Total (as per Fund Account)	**134**	**32,365**

Employer normal contributions include £2,116,000 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:

23 March 2018

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

Report on the audit of the financial statements

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 2017, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the annual report, which comprise: the statement of net assets available for benefits as at 31 December 2017; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
23 March 2018

THE PILKINGTON SUPERANNUATION SCHEME

Fund Account

for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Contributions and benefits			
Employer contributions		**32,365**	32,869
Employee contributions		**134**	132
Total contributions	5	**32,499**	33,001
Benefits	6	**(75,022)**	(74,977)
Transfers to other plans	7	**(24,302)**	(3,585)
		(99,324)	(78,562)
Net withdrawals from dealings with members		**(66,825)**	(45,561)
Returns on investments			
Investment income	9	**44,090**	39,407
Change in market value of investments	11	**77,873**	267,878
Net investment management expenses	10	**(1,558)**	(2,551)
Net return on investments		**120,405**	304,734
Net increase in the fund during the year		**53,580**	259,173
Opening net assets		**1,876,907**	1,617,734
Closing net assets		**1,930,487**	1,876,907

The notes to the financial statements on pages 24 to 37 form a part of these financial statements.

THE PILKINGTON SUPERANNUATION SCHEME

Statement of net assets available for benefits as at 31 December 2017

	Notes	**2017 £'000**	2016 £'000
Investment assets			
Bonds		**1,153,873**	1,220,082
Pooled investment vehicles		**676,459**	724,535
Derivatives		**23,161**	24,718
Buy-in policy		**235,500**	221,000
Longevity insurance policy		**4,500**	3,600
AVC investments		**873**	778
Cash		**83,649**	43,247
Other investment balances		**6,914**	9,760
		2,184,929	2,247,720
Investment liabilities			
Derivatives		**(31,621)**	(44,931)
Amounts due under repurchase agreements		**(221,590)**	(326,128)
		(253,211)	(371,059)
Total net investments	11	**1,931,718**	1,876,661
Current assets	18	**1,380**	2,232
Current liabilities	19	**(2,611)**	(1,986)
Net assets available for benefits		**1,930,487**	1,876,907

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.

The notes to the financial statements on pages 24 to 37 form a part of these financial statements.

These financial statements were approved by the Trustee on 23 March 2018 and are signed on their behalf by:

....

....

Directors of Pilkington Brothers
Superannuation Trustee Limited

Notes to the Financial Statements 31 December 2017

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 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 (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised 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 last traded 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 (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) The buy-in policy held by the Scheme is 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 are accounted for on an accruals basis and include 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

	2017	2016
	£'000	£'000
Employer contributions		
Normal	**6,673**	7,569
Augmentations	**692**	300
Deficit Funding	**25,000**	25,000
	32,365	32,869
Employee contributions		
Normal	**133**	128
Additional Voluntary Contributions - added years	**1**	4
	134	132
Total contributions	**32,499**	33,001

Included within Employer normal contributions is £2,116,000 in respect of contributions paid under the Company's salary exchange arrangement (2016: £2,403,000).

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 for 2018 are payable in equal half-yearly instalments on 1 April and 1 October 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

	2017 £'000	2016 £'000
Pensions	**69,210**	69,541
Commutations of pensions and lump sum retirement benefits	**5,250**	4,793
Lump sum death benefits	**562**	643
	75,022	74,977

The commutation of pensions figure includes £551,000 in respect of full commutation of trivial pensions (2016: £601,000).

7 Transfers to other plans

	2017 £'000	2016 £'000
Individual transfers out to other plans	**24,302**	3,585
	24,302	3,585

8 Administrative expenses

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

9 Investment income

	2017 £'000	2016 £'000
Income from bonds	**23,867**	28,801
Income from pooled investment vehicles	**7,544**	7,430
Income from the buy-in policy	**10,063**	3,031
Interest on cash deposits	**113**	137
Income from derivatives	**3,661**	2,191
	45,248	41,590
Other income and financing cost	**(1,158)**	(2,183)
	44,090	39,407

The increased income from the buy-in policy is due to the policy being held for a full year in 2017 and the top up made in January 2017.

10 Net Investment Management Expenses

Investment management expenses include rebates received and the contribution towards expenses received from Pilkington Group Limited.

	2017	2016
	£'000	£'000
External Investment Managers	**1,464**	2,274
Custodial Fees	**102**	105
Subsidy from Pilkington Group Ltd towards expenses	**(587)**	(537)
Investment advice	**268**	332
Irrecoverable VAT	**291**	260
Other expenses	**20**	117
Net expenses	**1,558**	2,551

External investment manager fees are lower than the previous year because fees deducted directly from pooled funds have not been included.
External investment manager fees include £563,000 in respect of performance related fees (2016: £416,000).

11 Reconciliation of net investments

	Market value at 1 Jan 2017	**Purchases at cost and derivative payments**	**Sales proceeds and derivative receipts**	**Change in market value**	**Market value at 31 Dec 2017**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	1,220,082	238,951	(318,862)	13,702	**1,153,873**
Pooled investment vehicles	724,535	142,761	(243,888)	53,051	**676,459**
Derivatives	(20,213)	13,977	(16,263)	14,039	**(8,460)**
Longevity insurance policy	3,600	1,779	-	(879)	**4,500**
Buy-in policy	221,000	16,502	-	(2,002)	**235,500**
AVC investments	778	34	(28)	89	**873**
	2,149,782	414,004	(579,041)	78,000	**2,062,745**
Cash and cash equivalents	43,247			(127)	**83,649**
Amounts due under repurchase agreements	(326,128)				**(221,590)**
Investment debtor	2,196			-	**-**
Accrued investment income	7,564			-	**6,914**
	1,876,661			**77,873**	**1,931,718**

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 £493,000 in respect of anti-dilution levies on the purchase of units in the Alpha ILIF fund (2016: £2,124,000). 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 £221,198,000 of bonds reported in Scheme assets are held by counterparties under repurchase agreements (2016: £319,741,000).

The cash balance includes £71,808,000 held as part of the LDI portfolio (2016: £34,258,000).

The key techniques used and assumptions made in valuing the buy-in policy are disclosed in note 4. The buy-in policy has been executed with PIC. The counterparty exposure is monitored regularly on behalf of the Trustee which took advice at the time of the transaction about the counterparty risk and was content that this risk is at an acceptable level.

The initial tranche of the buy-in, which was valued at approximately £230 million of liabilities, was completed in August 2016. The second smaller tranche worth approximately £16 million was completed in January 2017. Since then the data reconciliation exercise has been underway between PIC and the Scheme's administration team. It is expected that this will be completed and a final position agreed during the first quarter of 2018.

The longevity insurance, which was established in 2011, remains in place covering approximately £1 billion of the liabilities and it appears at the present time that this policy is beneficial to the Scheme against the assumed longevity risk.

The majority of the Government bonds are easily bought or sold with the exception of £71m 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 £91,184,000 as at 31 December 2017 or 5% of the Scheme assets (2016: £95,648,000; 5%).

12 Pooled investment vehicles

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

	2017	2016
	£'000	£'000
Equity	**296,742**	332,843
Bond	**288,532**	296,044
Property	**13,860**	23,079
Reinsurance	**38,378**	42,176
Secure Income Alternatives	**38,947**	30,393
	676,459	724,535

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:

		2017			2016	
	Assets	**Liabilities**	**Total**	Assets	Liabilities	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Swaps	**21,813**	**(31,615)**	**(9,802)**	22,738	(44,883)	(22,145)
Forward FX contracts	**1,348**	**(6)**	**1,342**	1,980	(48)	1,932
	23,161	**(31,621)**	**(8,460)**	24,718	(44,931)	(20,213)

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	**2017 Principal**	**Expires**	**Fair Value Asset**	**Fair Value Liability**
	£'000		**£'000**	**£'000**
Interest rate swaps(sterling denominated 3-6m coupon floating for fixed)	**344,573**	**2022-2065**	**-**	**(24,964)**
Interest rate swaps (sterling denominated 3-6m coupon fixed for floating)	**148,797**	**2020-2066**	**5,487**	**(2,280)**
Interest rate swaps (sterling denominated zero coupon fixed for floating)	**38,063**	**2023-2025**	**5,305**	**-**
Interest rate swaps (sterling denominated 6m coupon for 3m coupon)	**65,167**	**2044-2056**	**316**	**-**
Interest rate swaps (sterling denominated zero coupon)	**184,437**	**2046-2061**	**1,500**	**-**
Total return swaps (sterling denominated UK treasury return for floating)	**263,336**	**2017-2045**	**7,263**	**(161)**
Inflation swaps (sterling denominated fixed for floating (UK RPI index))	**149,918**	**2022-2064**	**-**	**(4,210)**
Inflation swaps (sterling denominated floating (UK RPI index) for fixed)	**16,689**	**2027-2059**	**1,942**	**-**
Total 2017	**1,210,980**		**21,813**	**(31,615)**
Total 2016	738,350		22,738	(44,883)

At the end of the year the Scheme held collateral of £20,297,000 in respect of OTC Swaps (2016: £14,047,000) and had posted collateral in the form of bonds of £22,081,000 (2016: £26,484,000)

(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	1	19,845	**63**	-
Sell USD for GBP	1	77,480	**1,285**	-
Sell SEK for GBP	1	380	-	**(6)**
Total 2017			**1,348**	**(6)**
Total 2016			1,980	(48)

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:

	2017 **£'000**	2016 £'000
Equitable Life Assurance Society	**241**	222
Prudential	**632**	556
	873	778

15 Fair value determination

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 2017				**Nature of risk**			
	Level (1)	**Level (2)**	**Level (3)**	**Total**	**currency**	**credit**	**interest**	**other**
	£'000	**£'000**	**£'000**	**£'000**				
Bonds		**1,153,873**		**1,153,873**		√	√	√
Pooled investment vehicles		**623,652**	**52,807**	**676,459**	√	√	√	√
Derivatives			**(8,460)**	**(8,460)**	√	√	√	√
Longevity insurance policy			**4,500**	**4,500**		√		√
Buy-in policy			**235,500**	**235,500**		√		√
AVC investments		**873**		**873**		√		√
Cash	**83,649**			**83,649**	√	√		
Other investment balances	**(214,676)**			**(214,676)**		√		
				1,931,718				

	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)	√	√	√	√
Longevity insurance policy			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				

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 AVC investments as these are not considered significant in relation to the overall investments of the 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 79.80% of the total investment portfolio (2016: 77.12%). The proportion of liabilities hedged is higher than the proportion of assets allocated to hedging due to the use of derivatives.

(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 20.20% (2016: 22.88%).

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 2017 or 2016.

18 Current assets

	2017	2016
	£'000	£'000
Contributions due from employer in respect of:		
Normal contributions	**26**	231
Other contributions	**294**	-
Cash balances	**210**	1,483
Other debtors	**850**	518
	1,380	2,232

19 Current liabilities

	2017	2016
	£'000	£'000
Unpaid benefits	**1,010**	1,122
Investment management expenses	**1,588**	839
Other accrued expenses	**13**	25
	2,611	1,986

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 £81,000 (2016: £80,000) 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 £587,000 (2016: £537,000) 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:

	2017	2016
Henderson managed – Global Investors Long Dated Credit	**7.8%**	7.8%
SSgA managed – Sterling Corporate Bonds	**7.2%**	8.0%
SSgA managed – North American Equity Index	**4.3%**	6.3%
LGIM managed – Infrastructure Equity	**5.4%**	4.9%
PIC – buy-in	**12.2%**	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 2017 or at 31 December 2016. As at 31 December 2017, the Scheme had a commitment of £40,000,000 to Aviva (2016: £40,000,000 to Aviva and £7,540,000 to ARC). The commitment to ARC was fully drawn down during the year.

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.

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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