THE PILKINGTON SUPERANNUATION SCHEME

ANNUAL REPORT – YEAR ENDED 31 DECEMBER 2019

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Trustee's Report

1. Chairman's Statement

Funding

The Trustee has a very clear focus. The primary objective continues to be to secure the guaranteed obligations of Pilkington Superannuation Scheme ("the Scheme") to ensure current and future pension liabilities can be met in full. The Summary Funding Statement which was circulated to members in May 2019 showed the funding position at 31 December 2018. This showed a small surplus on the Technical Provisions (ongoing) basis of £50m. The funding position has improved steadily through 2019. Although the Scheme has not been immune to the impacts of Covid19 on the markets at the start of 2020, it has started from a strong base and with a high level of hedging, the effects to date have been less detrimental than they could otherwise have been.

Investments

There were two significant changes in the investment portfolio during the year. As mentioned last year, the Henderson Corporate Bond mandate was moved to a "Buy and Maintain" portfolio managed by AXA. The purpose of this is to better match the long-term cashflow requirements of the Scheme. As the Scheme continues to mature, the need for regular cashflows generated from the asset pool becomes ever more important to meet the routine payments from the Scheme.

We have been waiting over three years to fund an investment into a long-lease property fund. This wait reflects the diligence of our investment partner, Aviva, in selecting good quality property investment opportunities. An investment was made in July 2019 which gives the Scheme access to inflation-linked income from these secure long-leasehold properties.

While these changes reflect the Trustee's continuing efforts to optimise investments to meet the needs of the Scheme, the investment portfolio overall is broadly stable. The majority of the investments are designed to match closely the Scheme's liabilities, but the Scheme also retains a return-seeking element. This enables it to progress towards future funding targets without unduly increasing the exposure to risk. The Scheme remains over 90% hedged against interest and inflation rate volatility. The de-risking strategies implemented over the past few years have allowed the Scheme to withstand downturns in investment performance. Performance against asset benchmarks and the liabilities as a whole have been good over 1, 3 and 5 years. This continues to stand the Scheme in good stead through any potential political and financial uncertainties that lie ahead.

The Company remains steadfast in its commitment to support the Scheme by providing security until the Scheme meets its secondary funding target. The

Trustee appreciates the ongoing support from the Company, but is keen to reach the point where the Scheme is considered 'self-sufficient' and as such is no longer reliant on the Company for ongoing support.

Scheme Changes

As mentioned last year, Miss Halligan retired in June 2019 after 16 years as Scheme Secretary and Group Pensions Manager. We are most grateful that she leaves both the Scheme and Group Pensions Department in a strong position for her successor Mrs Miller. While governance and regulatory requirements continue to increase, and the options available to active and deferred members increase choices for members, Joanne's aim is to maintain a "steady ship" and continue to provide the high level of support both to the Trustee and members as was provided by Miss Halligan.

We have also had changes on the Trustee Board. Elections were held in June for 4 member-nominated Trustee Directors, 3 pensioner and 1 active. Mr Brian Bonney, Mr Derek Corf and Mr Steven Beesley were appointed as pensioner-nominated Trustee Directors. Mr Mark Arnold was appointed as an active-nominated Trustee Director. We are very grateful to Mr Gordon Sayers and Mr Gary Luck whose terms of office ended in June as pensioner and active Trustee Directors respectively. The role of Trustee Director can be a challenging one; there is significant training required to develop and maintain a good level of knowledge and understanding to undertake the role. There is also significant reading required ahead of each meeting. Whilst member-nominated Trustee Directors are elected by either pensioner members or active members, a Trustee Director's responsibility is to the membership as a whole. All Trustee Directors therefore, irrespective of the means of appointment, must act impartially and consider the interests of all classes of beneficiary. I thank both the current and previous Trustee Directors for their diligence in undertaking their responsibilities on your behalf.

Concluding remarks

The Scheme ended 2019 in a strong position. Unfortunately the start of 2020 has brought uncertainty with the outbreak of Covid19 and its widespread impacts. The Trustee, along with its experienced advisers, continues to monitor the situation and to ensure it meets its obligations to Scheme members.

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 2019 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

During the year the Company's interest in Waterside Training Limited was sold. As a consequence, Waterside ceased to be an Allied Company. The liabilities attributed to Waterside were transferred to Pilkington Group Limited. The proceeds of the sale were received by the Scheme.

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 2019):

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
M. Arnold
K.W. McKenna 1,2

Directors elected by pensioner members
S.J. Beesley* 1
D. Corf* 1, 2
B. Bonney*

Secretary to the Trustee Company J. Miller

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 to serve defined terms 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/ Secretary

There have been changes to the Board during 2019 as the terms of office of the three pensioner nominated Directors and one employee nominated Director came to an end. Mr Corf and Mr Beesley were reappointed as pensioner nominated Directors, with Mr Bonney newly appointed. Mr Arnold was appointed as an employee nominated Director. Mr Sayers and Mr Luck stood down as Directors.

Miss Halligan retired from her role as Secretary to the Trustee in June 2019. Mrs Miller was appointed to this role from the same date.

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')
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')
AXA Investment Managers UK Limited ('AXA') (from 11 April 2019)
Henderson Global Investors Limited (until 11 April 2019)

Financial Advisers Lincoln Pensions Limited

Legal Advisers Hogan Lovells International LLP

Medical Adviser Dr D. B. Shackleton

Independent Auditors PricewaterhouseCoopers LLP

Bankers National Westminster Bank plc

Custodian J P Morgan Chase Bank

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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 2019 together with the maximum possible attendance was as follows:

Name	Board meetings	Investment Committee	Audit & Risk Committee	Investment Manager Presentations
K. Greenfield	5/5	3/3	n/a	1/1
BESTrustees	5/5	3/3	n/a	1/1
M. Arnold	2/2	n/a	n/a	n/a
S. Beesley	5/5	n/a	3/3	1/1
B. Bonney	2/2	n/a	n/a	n/a
D. Corf	5/5	3/3	2/3	1/1
S. Gange	4/5	n/a	2/3	1/1
D. Gilchrist	4/5	3/3	n/a	1/1
R. Hemingway	5/5	n/a	3/3	1/1
G. Luck	2/3	n/a	n/a	1/1
J. McKenna	5/5	n/a	3/3	1/1
K. McKenna	5/5	3/3	3/3	1/1
G. Sayers	3/3	1/2	n/a	1/1
P. Wilkinson	5/5	1/3	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
At 1 January 2019	707	2,618	7,318	2,495
Adjustments	-	(16)	12	4
	707	2,602	7,330	2,499
Deaths	(1)	(5)	(306)	(196)
Retirements/New Dependents	(53)	(110)	163	139
Leavers - exited	-	(78)	(14)	(32)
Members leaving pensionable service prior to retirement	(64)	64	-	-
At 31 December 2019	589	2,473	7,173	2,410

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 801 pensioners (2018: 811) and 634 dependents (2018: 633). 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 5,854 pensioners (2018: 6,171) and 1,599 dependents (2018: 1,613)

4. Deeds Executed During 2019

During 2019 there were no Deeds of Amendment executed.

5. Actuarial Liabilities

Valuation of the Scheme as at 31 December 2017.

The valuation of the Scheme was agreed between the Company and the Trustee in June 2018. It was authorised by the Trustee on 28 June 2018 and the Company approval was also granted on 28 June 2018.

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	100% of standard tables S2P[M/F]A with allowance for improvements in mortality rates from 2007 in line with the CMI2016 Core Projections assuming a long-term rate of improvement of 1.5% p.a. and an S_k parameter of 8.0.

The valuation disclosed a surplus of £65m on this Technical Provisions basis meaning that the Primary Funding Target established at the 2011 valuation has been met.

The Technical Provisions (or liabilities) were valued at £1,865m not including any allowance for non-statutory increases to pensions in payment. The assets were valued at £1,930m at the valuation date meaning a surplus of £65m and a funding ratio of 103%.

This position shows a distinct improvement since the deficit of £126m and funding level of 93% recorded at the 2014 valuation. The improvement results largely from two sources – deficit reduction cash contributions from the Company of £100m since 31 December 2014 and a better than assumed return on the Scheme's investments.

The Recovery Plan agreed at the 2014 valuation continued until the final payment was received on 1 October 2018. Notwithstanding the achievement of the Primary Funding Target, the Company has given a legally binding commitment to ring-fence further funds over the next three year period to December 2021 for the benefit of the Scheme. The position will be reviewed as part of the 2020 valuation and if necessary further funds may be used to support the Scheme to reach full funding on the Secondary Funding Target ('SFT') basis by or before 2026; the SFT uses the more prudent gilts flat discount rate but is otherwise the same as the Technical Provisions basis. It is anticipated that investment returns will contribute to achieving this target. At the time of the 2017 valuation the deficit on the SFT basis was £71m. Since the valuation date the Scheme has remained on a positive path towards this target. There have been cash contributions from the Company of £25m since the valuation.

The Trustee and Company have agreed to maintain the Final Funding Target ("FFT") which is considered to be a proxy for the cost of buying out the liabilities of the Scheme with an insurance company. This target, and the point when such a course of action may be feasible, are still a number of years away. There are still active members in the Scheme and many deferred members. The cost of insuring these benefits is significantly higher than insuring pensions in payment on account of the greater number of variable options.

Whilst the Company is prepared to set aside funds to secure the Scheme until the SFT is reached, it is not expected to contribute further cash to reach the FFT which it is anticipated will be achieved by investment returns. The target is kept under review as it varies with market prices available in the insurance market for buy-in/buy-out products.

The funding position is monitored between valuations by comparing the asset values from the fund managers to the 'roll forward' of the liabilities modelled by the Scheme Actuary which reflects the impact of changes in the economic circumstances but not membership changes. Funding levels have not been adjusted to reflect the financial impact of the court ruling regarding Guaranteed Minimum Pension ("GMP") equalisation.

The Scheme Actuary also carries out a valuation on the solvency or buy-out basis looking at how much additional money would be required in order to buy-out the obligations of the Scheme with an insurance company. On this basis at the actuarial valuation date the funding position was 86% funded with a shortfall of £314m. At 31 December 2019 the roll-forward position on this basis had improved to 91% funded with a shortfall of £183m.

The Company and Trustee continue to work together towards stability and self-sufficiency for the Scheme. The funding position is ahead of where it was predicted to be under the previous recovery plan and the interest and inflation rate hedging together with the composition of the investment portfolio mean that the position remains largely stable and avoids much of the market volatility.

The next valuation of the Scheme is due as at 31 December 2020.

6. <u>Increases in Pensions</u>

During 2019, 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 2019 capped at 5%	1.9%
Pension accrued after 30 April 2005	CPI to March 2019 capped at 2.5%	1.9%
Post 5 April 1988 guaranteed minimum pension ('GMPs')	The Guaranteed Minimum Pension Increase Order 2019.	2.4%
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 recognised overseas pension schemes, deferred annuity policies or personal pension contracts on behalf of members withdrawing from the Scheme during 2019 were calculated in accordance with the requirements of Section 97 of the Pension Schemes Act 1993. There were no discretionary benefits. 75 payments were made during the year totalling £25.8m in value (2018: 133, £40.8m).

8. Pensions Act Compliance and Governance

A copy of the Actuarial Certificate dated 28 June 2018 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 retains Lincoln Pensions Limited to monitor the strength of the employer covenant and to report formally to the Trustee twice a year on this issue. During the 2017 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 Directors undertake regular training throughout the year on issues relevant to the Scheme, and potential future developments. A register of all training received is maintained. The Advisers also brief the Trustee on developments within the pension industry as appropriate.

The Trustee has a Conflict of Interests Register and a Policy which is 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 Group Internal Audit. These parties, together with Group Pensions Department, have developed 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 2015-2019, to illustrate the Scheme's development.

	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000
Contributions and benefits					
Deficit contributions	**-**	25,000	25,000	25,000	25,000
Other Contributions receivable	**5,680**	6,749	7,499	8,001	8,533
	5,680	31,749	32,499	33,001	33,533
Benefits payable	**77,834**	75,171	75,022	74,977	76,529
Payments to and on account of leavers	**25,849**	40,768	24,302	3,585	1,963
	103,683	115,939	99,324	78,562	78,492
Net withdrawals from dealings with members	**(98,003)**	(84,190)	(66,825)	(45,561)	(44,959)
Returns on investments					
Investment income*	**44,693**	42,553	44,090	39,407	25,591
Change in market value of investments	**171,346**	(70,934)	77,873	267,878	(5,473)
Net investment management expenses	**(1,071)**	(1,449)	(1,558)	(2,551)	(2,231)
Net returns on investments	**214,968**	(29,830)	120,405	304,734	17,887
Net change in the Scheme value during the year	**116,965**	(114,020)	53,580	259,173	(27,072)
Net assets of the Scheme brought forward	**1,816,467**	1,930,487	1,876,907	1,617,734	1,644,806
Net assets of the Scheme carried forward	**1,933,432**	1,816,467	1,930,487	1,876,907	1,617,734

* 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

The Scheme targets an investment return of gilts +1% pa. This target has been set to move the Scheme towards its longer-term funding targets while limiting the Scheme's exposure to investment risk.

After a relatively difficult year in 2018 which saw falls across most major equity markets, 2019 has seen widespread positive returns. Long maturity UK gilts and index-linked gilts have returned 12% and 8% respectively over the period (as measured by the FTSE-A Gilts Over 15 Years Index and FTSE-A Index-Linked Gilts Over 15 Years Index respectively).

While both the value of the liabilities and the Scheme's matching assets (including the Liability Driven Investment ("LDI ") portfolio and the buy-in policy) increased over the period, the overall funding position improved.

After three years of waiting for an investment into a long lease property fund, Aviva finally drew down the £40m earmarked for investment. While the delay was disappointing, the Trustee takes comfort in acknowledging that our investment partners show diligence in only selecting quality property investment opportunities.

The other significant change to the portfolio occurred in April 2019. The Long Dated Credit mandate with Henderson was terminated and the assets transferred to AXA, with a significant proportion of the assets transferred in-specie, resulting in significant savings to the Scheme. AXA made some initial changes to the portfolio but will operate on a 'buy and maintain' policy – meaning there will be limited trading of the bonds and the cash flows from the interest payments will be used to pay pensions.

The Board meets active managers during the course of the year so 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 training programme.

The positive effect of the hedging against movements of interest and inflation rates has been clear to see over the past few years. While the Scheme is limited as to the extent to which it can capitalise on positive investment returns, it is largely protected against market downturns, meaning the funding position has been stable with gradual improvement, increasing from 95.7% to 99.1% (on a Gilts Flat basis) over the course of 2019.

Following the insurance 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 Investment Committee continues to keep under review the feasibility of both a further buy-in and the conversion of the longevity insurance to a buy-in policy.

The strategic allocation of assets at 31 December 2019 was as follows:

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Asset Class and Investment Manager	Strategic Asset Allocation (%)	Tolerance Range
Return-seeking assets	***17.00***	***-5.0% / +2.5%***
UK equities (SSgA)	1.3	*-1.3% / +1.3%*
North America equities (SSgA)	4.25	*-2.0% / +2.0%*
Europe (ex UK) equities (SSgA)	1.7	*-0.85% / +0.85%*
Asia Pacific (inc Japan) equities (LGIM)	1.25	*-0.6% / +0.6%*
Emerging market (EM) equities (LGIM)	1.5	*-0.5% / +0.5%*
Listed infrastructure (LGIM)	5.00	*-1.5% / +1.5%*
Reinsurance (Nephila)	2.00	*-2.0% / +2.0%*
Liability matching assets	***83.00***	***-2.5% / +5.0%***
Buy & maintain credit* (AXA)	8.00	*-8.0% / +2.5%*
UK corporate bonds (all stocks) (SSgA)	7.00	*-7.0% / +2.5%*
LDI portfolio** (Insight)	49.25	*-3.0% / +18.5%*
Cash (JP Morgan)	1.00	*-1.0% / +4.0%*
Secure Income Alternatives (Alpha Real and Aviva)	5.00	*-5.0% / +2.5%*
Buy-in***(Pension Insurance Corporation)	12.75	*N/A*

* 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 as at 8 August 2016, and the pricing received by Aon Hewitt from PIC for the members that were covered by the additional buy-in tranche of c£16m and the total Scheme valuation as at 30 November 2016.

A small amount of equity and the 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 January 2019. 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 a Statement on the UK Stewardship Code and this has been registered with the Financial Reporting Council. A revised Stewardship Code 2020 has been released and a Statement of Compliance is required by March 2021.

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

Since the year end, consequent on the global impact of the Coronavirus (Covid-19) pandemic, the value of investment assets and liabilities have been impacted. It is very difficult, at this time, to quantify the change in market value as the situation is fluid and unpredictable.

Towers Watson Limited is the investment consultant of the Trustee.

11. Performance

The value of the Scheme assets at 31 December 2019 was £1,933m compared to £1,816m the previous year. Within the change in value of the Scheme are the cash withdrawals to pay benefits, transfers out, and monthly contributions in respect of active members.

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

	Scheme	Scheme Benchmark	Difference
	%	%	%
1 year	11.7	7.4	4.3
3 year pa	5.5	3.1	2.4
5 year pa	7.2	5.2	2.0

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
LGIM managed funds	Citibank
Nephila managed funds	Bank of New York Mellon

13. Self investment

There was no direct employer-related investment at the year-end (2018: none). The Scheme had no indirect holdings in NSG through its pooled investment vehicles at 31 December 2019 or 2018.

14. Additional Voluntary Contributions

The Scheme offered contributory members the following choices regarding the payment of Additional Voluntary Contributions (AVCs) during 2019:

- 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 2019 the number of contributors to each of the AVC options was:

• Additional service	14
• Prudential	6

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 Utmost Life and Pensions Limited (formerly Equitable Life) but this is no longer offered as an option for those investing in AVCs.

15. GMP Equalisation

In October 2018, the High Court determined that benefits provided to members of contracted out pension schemes must be recalculated to reflect the equalisation of state pension between May 1990 and April 1997 for both men and women. The Trustee is now reviewing, with its advisers, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women, in the context of the rules of the Scheme and the value of any liability. As soon as this review is finalised and any liability quantified, then members will be communicated with.

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.

The Trustee's report was approved by the Trustee on 25 March 2020 and signed on its behalf by:

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 2019 as reported in The 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 28 June 2018.

We have examined The Pilkington Superannuation Scheme's summary of contributions for the Scheme year ended 31 December 2019 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

30/3/20

THE PILKINGTON SUPERANNUATION SCHEME

Summary of Contributions payable in the year

	Employer £'000	Employee £'000
During the year, the contributions required by the schedule of contributions and reported on by the Scheme auditors were as follows:		
Normal contributions	**4,896**	**81**
Required by the schedule of contributions and reported on by the Scheme auditors	**4,896**	**81**
Other contributions payable		
Augmentations of individual members' benefits	**652**	**-**
Additional contributions	**50**	**-**
AVCs	**-**	**1**
Total contributions received (as per Fund Account)	**5,598**	**82**

Employer normal contributions include £1,487,000 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:

25 March 2020

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

Report on the audit of the financial statements

Opinion

In our opinion, The 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 2019, 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 2019; 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

30/3/20

THE PILKINGTON SUPERANNUATION SCHEME

Fund Account

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Contributions and benefits			
Employer contributions		**5,598**	31,669
Employee contributions		**82**	80
Total contributions	5	**5,680**	31,749
Benefits	6	**(77,834)**	(75,171)
Payments to and on account of leavers	7	**(25,849)**	(40,768)
		(103,683)	(115,939)
Net withdrawals from dealings with members		**(98,003)**	(84,190)
Returns on investments			
Investment income	9	**44,693**	42,553
Change in market value of investments	11	**171,346**	(70,934)
Net investment management expenses	10	**(1,071)**	(1,449)
Net return on investments		**214,968**	(29,830)
Net increase/ (decrease) in the fund during the year		**116,965**	(114,020)
Opening net assets		**1,816,467**	1,930,487
Closing net assets		**1,933,432**	1,816,467

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

Statement of net assets available for benefits as at 31 December 2019

	Notes	**2019**	2018
		£'000	£'000
Investment assets			
Bonds		**1,428,365**	1,205,219
Pooled investment vehicles		**584,613**	630,743
Derivatives		**35,981**	9,890
Buy-in policy		**229,500**	223,100
AVC investments		**978**	841
Cash		**33,395**	11,683
Other investment balances		**8,727**	7,053
		2,321,559	2,088,529
Investment liabilities			
Derivatives		**(47,919)**	(34,241)
Insurance policy		**(3,600)**	(3,700)
Repurchase agreement amounts payable		**(336,000)**	(234,682)
		(387,519)	(272,623)
Total net investments	11	**1,934,040**	1,815,906
Current assets	18	**1,395**	2,683
Current liabilities	19	**(2,003)**	(2,122)
Net assets available for benefits		**1,933,432**	1,816,467

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 pages 8 to 10 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 25 March 2020 and are signed on their behalf by:

....

....

Directors of Pilkington Brothers
Superannuation Trustee Limited

Notes to the Financial Statements 31 December 2019

1 General Information

The Scheme is a defined benefit scheme established under English law 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 June 2018) ("the SORP").

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements, although it has required certain additions to or amendments of disclosures in the financial statements.

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) <u>Contributions</u>

(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.
(e) Additional contributions are accounted for when received.

(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.
(c) Taxation paid on behalf of a member who exceeds their lifetime or annual allowance is accounted for as an expense when paid.

(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 at Bloomberg End of Day prices.
(c) Accrued interest is excluded from the market value of bonds 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) The AVC 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

	2019 £'000	2018 £'000
Employer contributions		
Normal	**4,896**	5,731
Augmentations	**652**	938
Deficit Funding	**-**	25,000
Additional Contribution	**50**	-
	5,598	31,669
Employee contributions		
Normal	**81**	79
Additional Voluntary Contributions - added years	**1**	1
	82	80
Total contributions	**5,680**	31,749

Included within Employer normal contributions is £1,487,000 in respect of contributions paid under the Company's salary exchange arrangement (2018: £1,841,000).

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 18 February 2016. The final payment was made in October 2018.

The "Additional Contribution" relates to the proceeds of the sale of Waterside Training Limited, which the Company paid into the Scheme. A further £50,000 was received in January 2020.

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

	2019 £'000	2018 £'000
Pensions	**69,757**	69,401
Commutations of pensions and lump sum retirement benefits	**7,407**	5,147
Taxation where lifetime or annual allowance exceeded	**5**	-
Lump sum death benefits	**665**	623
	77,834	75,171

The commutation of pensions figure includes £457,000 in respect of full commutation of trivial pensions (2018: £505,000).

7 Payments to and on account of leavers

	2019 £'000	2018 £'000
Individual transfers out to other plans	**25,849**	40,768
	25,849	40,768

8 Administrative expenses

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

9 Investment income

	2019 £'000	2018 £'000
Income from bonds	**26,423**	22,799
Income from pooled investment vehicles	**8,448**	6,973
Income from the buy-in policy	**9,869**	9,772
Interest on cash deposits	**362**	169
Income from derivatives	**2,407**	4,276
	47,509	43,989
Other income and financing cost	**(2,816)**	(1,436)
	44,693	42,553

10 Net investment management expenses

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

	2019 £'000	2018 £'000
External Investment Managers	**894**	1,093
Custodial Fees	**104**	104
Subsidy from Pilkington Group Ltd towards expenses	**(578)**	(513)
Investment advice	**305**	359
Irrecoverable VAT	**312**	352
Other expenses	**34**	54
Net expenses	**1,071**	1,449

External investment manager fees include £150,000 in respect of performance related fees (2018: £542,000).

11 Reconciliation of net investments

	Market value at 1 Jan 2019 £'000	**Purchases at cost and derivative payments £'000**	**Sales proceeds and derivative receipts £'000**	**Change in market value £'000**	**Market value at 31 Dec 2019 £'000**
Bonds	1,205,219	519,421	(374,911)	78,636	**1,428,365**
Pooled investment vehicles	630,743	46,243	(168,719)	76,346	**584,613**
Derivatives	(24,351)	106,952	(105,728)	11,189	**(11,938)**
Insurance policy	(3,700)	1,383	-	(1,283)	**(3,600)**
Buy-in policy	223,100	-	-	6,400	**229,500**
AVC investments	841	29	(2)	110	**978**
	2,031,852	674,028	(649,360)	171,398	**2,227,918**
Cash and cash equivalents	11,683			(52)	**33,395**
Amounts due under repurchase agreements	(234,682)				**(336,000)**
Accrued investment income	7,053			-	**8,727**
	1,815,906			**171,346**	**1,934,040**

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 £2,264,000 in respect of anti-dilution levies on the purchase of units in the Aviva Lime Property Fund (2018: £nil). Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

At the year-end £335,092,000 of bonds reported in Scheme assets are held by counterparties under repurchase agreements (2018: £234,356,000).
The cash balance includes £14,766,000 held as part of the LDI portfolio (2018: £7,878,000).

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. The data reconciliation exercise has largely been completed and the pricing validation will commence once the outstanding queries have been resolved.

The longevity insurance, which was established in 2011, remains in place covering approximately £1 billion of the liabilities.

The majority of the Government bonds are easily bought or sold with the exception of £47m 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 £123,462,000 as at 31 December 2019 or 6% of the Scheme assets (2018: £89,249,000; 5%).

12 Pooled investment vehicles

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

	2019	2018
	£'000	£'000
Equities	**312,213**	265,504
Bonds	**148,938**	275,990
Property	**2,798**	8,394
Reinsurance	**40,733**	40,315
Secure Income Alternatives	**79,931**	40,540
	584,613	630,743

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, and Aviva, who manage a secure income alternative fund, which is registered in Jersey.

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 and gilt futures– 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 and futures for efficient portfolio management.

The gain 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 derivatives:

	2019			2018		
	Assets	**Liabilities**	**Total**	Assets	Liabilities	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Over the counter swaps	**28,565**	**(47,885)**	**(19,320)**	9,890	(31,199)	(21,309)
Gilt futures	**799**	**-**	**799**	-	-	-
Forward FX contracts	**6,617**	**(34)**	**6,583**	-	(3,042)	(3,042)
	35,981	**(47,919)**	**(11,938)**	9,890	(34,241)	(24,351)

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	**2019 Principal**	**Expires**	**Fair Value Asset**	**Fair Value Liability**
	£'000		**£'000**	**£'000**
Interest rate swaps(sterling denominated 3-6m coupon floating for fixed)	**330,218**	**2022-2065**	**1,880**	**(33,028)**
Interest rate swaps (sterling denominated 3-6m coupon fixed for floating)	**183,820**	**2020-2066**	**14,623**	**(753)**
Interest rate swaps (sterling denominated 3-6m coupon floating)	**156,144**	**2030-2061**	**1,642**	**(119)**
Interest rate swaps (sterling denominated zero coupon)	**268,289**	**2050-2061**	**3,397**	**(1,294)**
Total return swaps (sterling denominated UK treasury return for floating)	**164,823**	**2024-2065**	**-**	**(3,528)**
Inflation swaps (sterling denominated fixed for floating (UK RPI index))	**183,093**	**2022-2065**	**6,912**	**(1,483)**
Inflation swaps (sterling denominated floating (UK RPI index) for fixed)	**54,018**	**2025-2064**	**111**	**(7,680)**
Total 2019	**1,340,405**		**28,565**	**(47,885)**
Total 2018	1,355,602		9,890	(31,199)

At the end of the year the Scheme held collateral of £32,251,000 in respect of OTC Swaps (2018: £25,426,000) and had posted collateral in the form of bonds of £29,065,000 (2018: £29,219,000)

(ii) Gilt futures

Contract	**expires within**	**Nominal**	**Net Asset**	**Net Liability**

		£'000	£'000	£'000
March 20 LIF long gilt (sold)	3 months	27,799	799	-
Total 2019			**799**	**-**
Total 2018			-	-

(iii) 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	14,382	**648**	**(18)**
Sell USD for GBP	1	87,362	**5,969**	**(14)**
Sell SEK for GBP	1	338,215	**-**	**(2)**
Total 2019			**6,617**	**(34)**
Total 2018			-	(3,042)

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:

	2019	2018
	£'000	£'000
Utmost Life and Pensions Limited (formerly Equitable Life Assurance Society)	**240**	216
Prudential	**738**	625
	978	841

15 Fair value determination

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

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

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

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

A fair value measurement is categorised in its entirety on the basis of the lowest input which is significant to the fair value measurement in its entirety.

The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustee. Where the value of the pooled investment vehicle is primarily driven by fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value, in which case adjustments are made. No such adjustments have been made to the valuations at 31 December 2019 or 31 December 2018.

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

	At 31 December 2019				**Nature of risk**			
	Level (1)	**Level (2)**	**Level (3)**	**Total**	**currency**	**credit**	**interest**	**other**
	£'000	**£'000**	**£'000**	**£'000**				
Bonds	**1,428,365**			**1,428,365**		**√**	**√**	**√**
Pooled investment vehicles		**501,884**	**82,729**	**584,613**	**√**	**√**	**√**	**√**
Derivatives			**(11,938)**	**(11,938)**	**√**	**√**	**√**	**√**
Insurance policy			**(3,600)**	**(3,600)**		**√**		**√**
Buy-in policy			**229,500**	**229,500**		**√**		**√**
AVC investments		**978**		**978**		**√**		**√**
Cash	**33,395**			**33,395**	**√**	**√**		
Other investment balances	**8,727**	**(336,000)**		**(327,273)**		**√**		
				1,934,040				

	At 31 December 2018				Nature of risk			
	Level (1)	Level (2)	Level (3)	Total	currency	credit	interest	other
	£'000	£'000	£'000	£'000				
Bonds	1,205,219			1,205,219		√	√	√
Pooled investment vehicles		581,809	48,934	630,743	√	√	√	√
Derivatives			(24,351)	(24,351)	√	√	√	√
Insurance policy			(3,700)	(3,700)		√		√
Buy-in policy			223,100	223,100		√		√
AVC investments		841		841		√		√
Cash	11,683			11,683	√	√		
Other investment balances	7,053	(234,682)		(227,629)		√		
				1,815,906				

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:

- 83% 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, interest and inflation rate swaps and secure income alternatives, the purpose of which is to hedge against the impact of interest rate and inflation movements on long term liabilities.
- 17% in return seeking investments comprising pooled investment vehicles to give exposure to global equities, reinsurance and European property.

(ii) Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds and 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.

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

	2019	2018
	£'000	£'000
Unit Linked insurance	**461,151**	401,602
Authorised unit trusts	**38,293**	-
Open ended investment companies	**82,371**	220,747
Close or semi-open ended	**2,798**	8,394

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.

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, secure income alternatives and interest rate swaps of 83% of the total investment portfolio, as part of its 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 81.4% of the total investment portfolio (2018: 82.9%). 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 17% of investments being held in return seeking investments. The actual allocation at the year-end was 18.6% (2018: 17.1%).

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 2019 or 2018.

18 Current assets

	2019	2018
	£'000	£'000
Contributions due from employer in respect of other contributions	1	737
Cash balances	1,054	1,108
Other debtors	340	838
	1,395	2,683

19 Current liabilities

	2019	2018
	£'000	£'000
Unpaid benefits	1,290	1,123
Investment management expenses	683	936
Other accrued expenses	30	63
	2,003	2,122

20 Related party transactions

i) Transactions relating to Trustee Directors

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 £87,000 (2018: £83,000) from Pilkington Group Limited for their services to the Scheme.

ii) Transactions with other related parties

Administration and accountancy services were provided and paid for by Pilkington Group Limited. Pilkington Group Limited also contributed £578,000 (2018: £513,000) towards investment management expenses.

21 Subsequent events

Since the year end, consequent on the global impact of the Coronavirus (Covid-19) pandemic, the value of investment assets and liabilities have been impacted. This is a non-adjusting subsequent event, as it does not impact the valuation of assets as at the year end date. It is very difficult, at this time, to quantify the change in market value as the situation is fluid and unpredictable. The Trustee considers that there is sufficient liquidity within the existing portfolio to meet benefit obligations.

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:

	2019	2018
Henderson managed – Global Investors Long Dated Credit	-	7.7%
SSgA managed – Sterling Corporate Bonds	7.7%	7.5%
LGIM managed – Infrastructure Equity	5.6%	5.1%
PIC – buy-in	11.9%	12.3%

23 Contingencies and commitments

Other than the liability to pay future pensions and GMP (see below), there were no material contingent liabilities of the Scheme at 31 December 2019 or at 31 December 2018. As at 31 December 2018, the Scheme had a commitment of £40,000,000 to Aviva which was drawn down during 2019.

In October 2018, the High Court determined that benefits provided to members of contracted out pension schemes must be recalculated to reflect the equalisation of state pension between May 1990 and April 1997 for both men and women. The Trustee is now reviewing, with its advisers, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women in the context of the rules of the Scheme and the value of any liability. As soon as this review is finalised and any liability quantified, then members will be communicated with.

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 2022.

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 July 2018: ▪ 8.7% of Salaries in respect of PEPS Members Over the period from 1 August 2018: ▪ 9.0% of Salaries in respect of PEPS Members

The participating employers will ensure that the Trustee receives the above contributions within 19 days of the end of the calendar month to which the contributions relate.

Additional contribution	▪ £12.5M payable on or before 1 October 2018.

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:	Rek Greenfield REK GREENFIELD	JOHN MCKENNA
Position:	TRUSTEE DIRECTOR	TRUSTEE DIRECTOR
Date:	28-6-2018.	28th JUNE 2018

Signed on behalf of Pilkington Group Limited

Name: JAMassa

Position: Judy Massa
Director/Authorised Signatory

Date: 28/6/18.

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

THE PILKINGTON SUPERANNUATION SCHEME

Certification of schedule of contributions

Pilkington Superannuation Scheme

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 2017 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 28 June 2018.

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

Signature J. E.M. Curtis

Date 28 June 2018.

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

THE PILKINGTON SUPERANNUATION SCHEME

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 2017 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 28 June 2018.

Signature: J.E.M. Curtis

Date: 28 June 2018

Name: Jane Curtis

Fellow of the Institute and Faculty of Actuaries

Aon Hewitt Limited

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