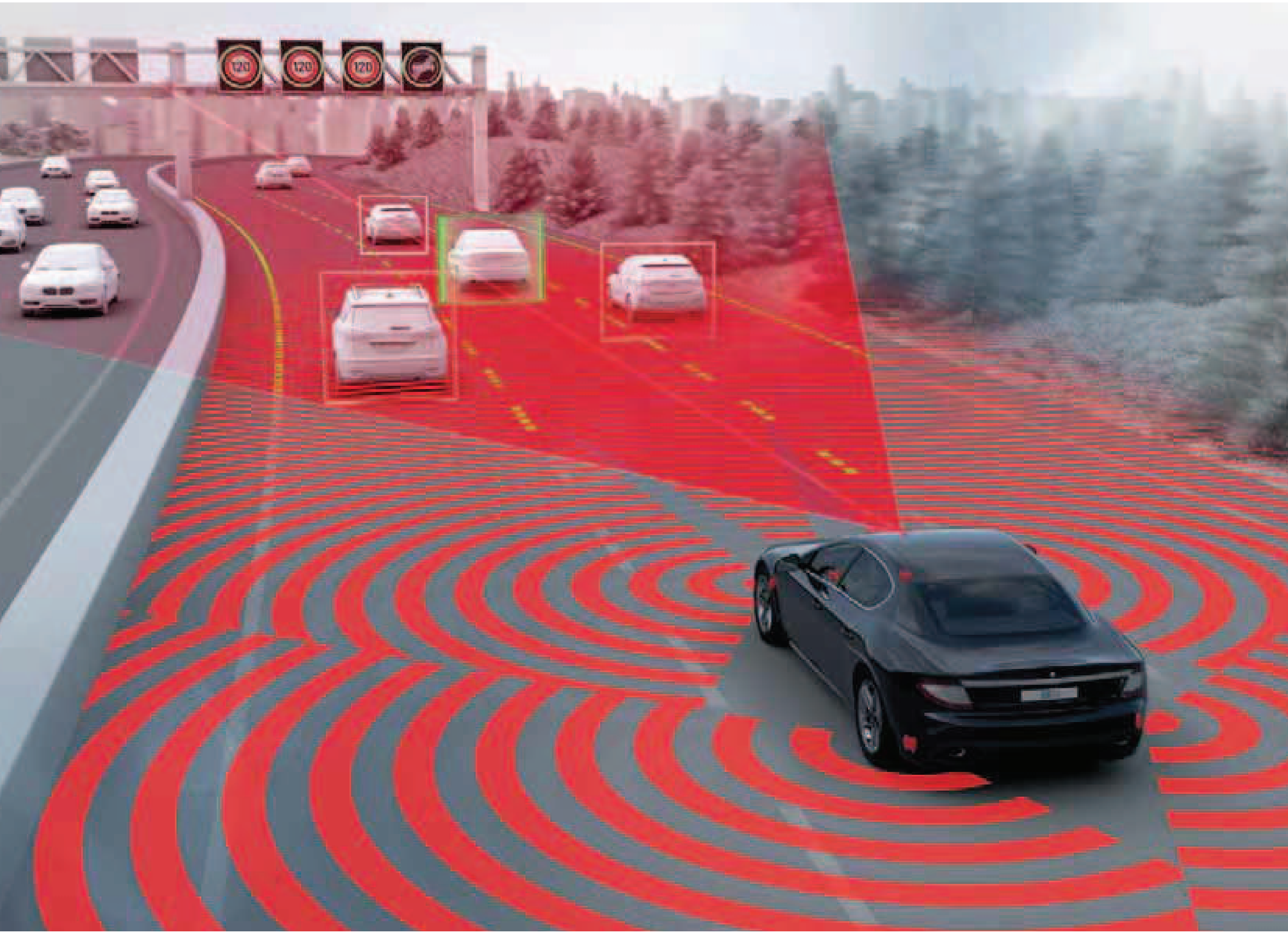
TRW Pension Plan

REPORT AND ACCOUNTS 2016



TRW Pension Plan

Report and Accounts

Contents

The Scheme is registered with the Pension Schemes Registry
under Registration Number 12009911

Report of the Trustee

Trustee and Advisers

Trustee	TRW Pensions Trust Limited
Principal Employer	TRW LucasVarity Limited
Directors of the Trustee Company	Mr N Marchuk – Chairman (until 31 December 2015) Mr S Batterbee – Chairman (from 1 February 2016) Mr P Birkett* Ms J Braithwaite from 1 February 2016 Mr R Bull until 11 June 2015* Mr M Furber Mr D Hopkins from 1 February 2016 JMRC Pensions Limited (represented by Mr J Clarke) Mr R Johnston until 11 June 2015* Mr P Lakie from 16 July 2015* Mr N Huish from 16 July 2015* Mr L Wolahan
Secretary	Mr A Hopkinson (until 15 July 2016)
Investment Managers	Legal & General Investment Management CBRE Global Investors M&G Investments Babson Capital Management
Investment Advisers	Hymans Robertson LLP
Investment Performance Measurement	Mellon Analytics
Custodian of Assets	Bank of New York Mellon
Actuaries	Hymans Robertson LLP Scheme Actuary: Mr R Bowie
Administrator	Capita Employee Benefits
Auditor	KPMG LLP
Bankers	National Westminster Bank
Solicitors	Travers Smith LLP Pinsents Masons LLP - Property
Medical Adviser	Health Management Limited
Property Valuer	Jones Lang LaSalle
Address for enquiries or complaints	TRW Administration Team Capita Hartshead House 2 Cutlers Gate Sheffield S4 7TL

**The Directors marked with an asterisk are Member Nominated Directors*

Constitution of the Plan

The Trustee is pleased to present its annual report to TRW Pension Plan (the "Plan") members, together with the accounts of the Plan, for the year ended 31 March 2016. The previous period comparison contained in the financial statements covers the period from 6 August 2014 until 31 March 2015, however, the Plan only held any assets and liabilities following a bulk transfer from the TRW Pension Scheme on 10 December 2014.

Trustee

The Trustee of the Plan is TRW Pensions Trust Limited, which is governed by the directors, named on page 2. Five are directors nominated by the Principal Employer, three are member nominated directors (those marked by an asterisk) and one is an independent director. The Principal Employer makes all appointments and replacements. The appointment of member nominated directors is in line with the Trustee's arrangements for their appointment. See page 13 for details of these arrangements.

Changes to the Trustee

Mr Marchuk retired from his position as Chairman of the Trustee Board on 31 December 2015 and Mr Bull and Mr Johnston retired from their positions as directors of the Trustee on 11 June 2015. The directors would like to place on record their thanks for the contributions made by Mr Marchuk, Mr Bull and Mr Johnston to the Trustee's activities. Mr Lakie and Mr Huish were appointed to the Trustee Board on 16 July 2015. Mr Batterbee was appointed as Chairman of the Trustee Board, and Ms Braithwaite and Mr Hopkins were appointed to the Trustee Board on 1 February 2016.

At the date of signing the accounts there was no Trustee Secretary in place. However an appointment has been offered effective from 1 November 2016.

Legal Status

The Plan was established by a Trust Deed dated 6 August 2014. The Plan is a contracted out salary related scheme. All sections of the Plan were closed to any future accrual from 28 February 2015. The Plan is a registered pension scheme under Schedule 36 of the Finance Act 2004. It was registered with Her Majesty's Revenue and Customs (HMRC) on 11 August 2014.

Principal Employer

The Principal Employer is TRW LucasVarity Limited, which is a wholly owned subsidiary of TRW Automotive Holdings Corp. On 15 May 2015 TRW Automotive Holdings Corp was acquired by ZF Friedrichshafen AG.

Participating Employer

The only participating employer whose employees were entitled to be members of the Plan was TRW Limited.

Trustee Meetings

The Trustee met four times during the period to consider matters relating to the administration of the Plan. The Trustee has, by resolutions passed at ordinary meetings, set up a number of sub-committees to deal with specified matters.

The quorum for the transaction of the business of the Trustee is currently five directors, three of whom are to be directors nominated by the Principal Employer, and either two member nominated directors or a member nominated director and an independent director. Trustee decisions are usually unanimous but they may be taken by a majority vote.

The Trustee has delegated authority to a standing sub-committee to deal with ill health early retirement applications and items of trustee discretion. The Trustee has also appointed a specialist standing sub-committee to deal with investment matters, which met six times during the year. Other sub-committees meet as required to produce reports and recommendations for the Trustee.

Trust Deed and Rules

A copy of the Trust Deed and Rules is available for examination in Human Resource Departments and personal copies can be obtained on written application to the Trustee Secretary at a cost of £25.

External Advisers and Service Providers

In line with UK pension scheme best practice, the Trustee has a policy of periodically reviewing all of its external advisers and service providers.

Financial Review

Market value of the Fund

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

The accounts show that during the year the value of the assets of the TRW Pension Plan that have been accumulated to meet its commitments, increased by £47 million. At the year end the value of the Plan's assets was £1,462 million compared to £1,415 million at 31 March 2015.

The increase in fund value is accounted for as follows:

Excess of income over expenditure	(£35 million)
Change in market value of investments	£48 million
Investment income (net of expenses)	£34 million
Increase in fund value	£47 million

Fund Account

For the year ending 31 March 2016 the income received was £43.5 million including investment income. The main reason for the income received was investment income of £38.5 million. The expenditure for the year was £44.7 million including investment management expenses of £4.3 million and transfer payments to members of £20.5 million.

Members' Contributions

All sections of the Plan were closed to future accrual on 28 February 2015 and accrual was non-contributory. Therefore no members' contributions were received for the year ending 31 March 2016.

Actuarial Valuation

The first TRW Pension Plan actuarial valuation was conducted by Hymans Robertson LLP as at 31 March 2015. The purpose of the valuation is to assess the current financial position of the Plan and to determine what contributions need to be paid by the Company to provide for the benefits set out under the rules of the Plan.

The Scheme Actuary reported that on the Trustee's statutory funding or Technical Provisions basis the Plan had a surplus in funding of £162 million calculated as follows:

	£' million
Assets (excluding defined contribution liabilities):	1,400
Liabilities:	1,239
Surplus[1]:	162

The valuation was signed by the Scheme Actuary on 24 May 2016 following agreement between the Company and the Trustee on the Scheme's Statement of Funding Principles, which was signed on 24 May 2016. A copy of the latest actuarial report is available on written application to the Trustee Secretary. The cost is £5.

In light of the funding surplus identified by the Scheme Actuary, the Trustee and the Company were not required to agree a recovery plan to set out how the Plan would be restored to full funding.

The Schedule of Contributions was signed by the Trustee and Company on 24 May 2016. The Schedule of Contributions is based upon a funding basis known as the Conservative[2] basis, which is more prudent than the Trustee's statutory funding objective or Technical Provisions basis.

The Schedule of Contributions requires contributions to be paid at the rate of £2.5 million a month, if the funding level on the Conservative basis falls below 99% for three consecutive months. If the funding level subsequently improves to 101% (or better) for a period of three consecutive months contributions cease.

Prior to the Schedule of Contributions being signed an interim schedule of contributions on the above basis was signed on 18 November 2014, which took effect from 10 December 2014. As at 31 March 2016, no contributions were payable in accordance with the interim schedule of contributions.

A report on Actuarial Liabilities which forms part of the Trustee's Report is included on page 59.

Scheme Specific Funding

The Pensions Act 2004 brought a new funding standard for final salary pension schemes into UK law called 'Scheme Specific Funding'. Under Pensions Act 2004 the Trustee must have:

- **A statutory funding objective**

  This objective is usually to have sufficient and appropriate assets to - at least - meet the Plan's accrued liabilities. The Trustee's statutory funding objective is that the Plan will have sufficient and appropriate assets to cover the expected cost of providing members' benefits.

[1] Surplus does not equal the difference between liabilities and assets due to rounding.
[2] The Conservative basis is similar to the Trustee's statutory funding or Technical Provisions basis except that it incorporates a discount rate assuming returns of 0.85% above Gilt yields.

- **A statement of funding principles**

  This is a statement, in writing, drawn up by the Trustee, in which it sets out its policy on how it intends to meet the statutory funding objective. In this statement it explains the way the Plan's liabilities will be calculated and what assumptions will be used. The Plan Actuary provides the Trustee with advice on this statement. The Trustee has published its statement of funding principles and it is available for downloading on the Plan's member website, which can be accessed at www.trwpensions.co.uk.

- **A recovery plan**

  If the Plan has insufficient assets to meet its statutory funding objective the Trustee must agree a recovery plan with the employer. This sets out how the Trustee intends to meet its statutory funding objective.

- **A summary of funding statement**

  The Trustee must provide all members and beneficiaries with a summary funding statement within a reasonable period following the completion of the Plan's formal actuarial valuation. The Plan's first actuarial valuation was carried out as at 31 March 2015 and was completed by 9 June 2016. The Trustee has published a summary funding statement effective 31 March 2015 in accordance with the Pensions Act 2004. The text of the most recent statement is printed on pages 61 to 64.

Membership

Pensioners

Pensioners at 31 March 2015		3,712	
Plus:	Deferred pensions commencing	234	
	Dependants pensions commencing during year	97	
	Pensions reinstated	64	
Less:	Deaths of pensioners	126	
	Deaths of dependants	94	
	Pensions suspended	18	
	Trivial pensions fully commuted	5	
	Child pensions ceased	7	
Pensioners at 31 March 2016			3,857
Comprising of:			
Pensioners (former employees)		*2,480*	
Spouses and Qualifying Dependants		*1,293*	
Children		*84*	

Deferred Pensioners

Deferred Pensioners at 31 March 2015		10,936	
Plus:	Forfeiture clause reinstatement [1]	4	
	Transferred in liability	1	
Less:	Pensions commencing during the year	234	
	Transfers to other pension arrangements	183	
	Deaths of deferred pensioners	50	
	Trivial pensions fully commuted	7	
Deferred pensioners at 31 March 2016			10,467
Total Membership at 31 March 2016			**14,324**

[1] In accordance with the Plan's Trust Deed and Rules, benefits are forfeited if they are not claimed within 6 years of first becoming payable.

Plan Benefits

Benefit Changes

The TRW Pension Plan was established by a Trust Deed dated 6 August 2014.

During 2015 the Trustee and Company agreed to provide an enhanced transfer value offer to those deferred members under the age of 55 who were not provided with an enhanced transfer value offer in 2014. In the year to 31 March 2016 the Plan paid enhanced transfer values to over 60 deferred members.

Pension Increases

The increases to pensions from 1 April 2016 were dependent on which section of the Plan each person is a member.

For pensions in deferment:

Section	Pension Element	Increase
All sections excluding members of the sections listed below	All pension	0.3% [(1)]
	Temporary and Early Retirement Allowance	0% [(2)]
Steering Systems and UK (leavers pre 1 January 1986)	All pension	0%
Steering Systems and UK (leavers post 31 Dec 1985 and pre 1 Jan 1991)	Pension accrued pre 1 Jan 1985	0%
	Pension accrued post 31 Dec 1984	0.3% [(3)]
Steering Systems and UK (leavers post 31 Dec 1990), 100ths (2004), Closed SRBS A (2004), and 100ths (2006)	Pension accrued pre 6 Apr 2009	0.3% [(3)]
	Pension accrued post 5 Apr 2009	0.3% [(4)]

Notes:

(1) Annual CPI increase (January 2016) up to a maximum of 7%.

(2) Annual CPI increase (September 2015).

(3) Annual CPI increase (January 2016) up to a maximum of 5%.

(4) Annual CPI increase (January 2016) up to a maximum of 2.5%.

For pensions in payment:

Section	Pension Element	Increase
All sections excluding members of the sections listed below	Pension in excess of GMPs	0.3% [(1)]
	Temporary pensions	0% [(2)]
SRBS A, C, A (57.5), and C (57.5)	All pension	0.3% [(1)]
	Temporary pensions	0% [(2)]
Steering Systems	Pension in excess of GMPs accrued pre 1 Apr 1992	2.5% [(3)]
	Pension in excess of GMPs accrued post 31 Mar 1992	0% [(4)]
UK	Pension in excess of GMPs	1.3% [(4)]
100ths (2004), and SRBS A (2004)	Pension accrued pre 6 Apr 2005	0.3% [(5)]
	Pension accrued post 5 Apr 2005	0.3% [(6)]
	Temporary pensions	0% [(2)]
100ths (2006)	All pension	0.3% [(6)]
	Temporary pensions	0% [(2)]

Guaranteed Minimum Pensions:

GMP earned between 6 April 1978 and 5 April 1988	N/A [(7)]
GMP earned between 6 April 1988 and 5 April 1997	0% [(8)]

Notes:

(1) Annual increase in CPI (January 2016) up to a maximum of 7%.

(2) Annual increase in CPI (September 2015).

(3) Fixed 2.5% a year.

(4) Annual increase in RPI (January 2016) up to a maximum of 5%.

(5) Annual increase in CPI (January 2016) up to a maximum of 5%.

(6) Annual increase in CPI (January 2016) up to a maximum of 2.5%.

(7) All increases are provided by the State.

(8) Annual CPI increase (September 2015) up to a maximum of 3%. Additional inflationary increases are provided by the State.

Additional Voluntary Contributions (AVCs)

The actuaries have certified that the rate of interest to be applied to cash accumulation AVC balances held for the year ending 31 March 2016 for the TRW Pension Plan is 2.3%.

For those who retire, die, or transfer their AVCs in the year ending 31 March, no terminal bonus will be paid.

AVCs paid to an external provider receive the return declared by those providers.

The Plan's AVC arrangements were closed to further contributions from 5 April 2006.

Money Purchase Underpin Account

This is applicable to members of the Closed 80ths Section of the Plan. Each year, twice the member's contributions are credited to the account. Interest is applied to the balance of the account on an annual basis equal to the full rate of return of the Plan.

The full rate of return in the Plan for the year ended 31 December 2015 was 6.3%.

Transfer payments to the Plan

The Plan was established to enable the bulk transfer of residual assets and liabilities from the TRW Pension Scheme. The Plan does not accept individual transfer payments from other pension schemes.

Transfer payments paid into the TRW Pension Scheme before 1 April 1997 received the 6.3% rate of return achieved by the Plan for the year ended 31 December 2015. Transfer payments received from 1 April 1998 up to 31 March 2006 provided deferred pensions. These are increased in line with standard deferred pensions on 1 April each year.

Transfer payments from the Plan

The calculation of transfer payments are made on the basis determined by the Plan's Actuaries and meets the requirements of the Pension Schemes Act 1993 and the Occupational Pension Schemes (Transfer Values) Regulations 1996 (SI 1996 No. 1847). The Trustee has directed the Actuary not to take discretionary pension increases into account in the calculation of transfer payments.

The Trustee has agreed that the Plan Actuary will monitor the Plan's funding level and inform the Plan administrator of any reduction in the level of transfer values paid from the Plan that is required to protect the Plan's funding level. Since the Plan's establishment there has been no reduction applied to transfer values.

During 2015 the Trustee and the Company agreed to provide those members under the age of 55 who did not receive an enhanced transfer value in 2014 with an enhanced transfer value offer. The enhancements were calculated as the member's share of the Plan's net assets on the Conservative[1] funding basis.

[1] The Conservative basis applicable at the time was similar to the Trustee's statutory funding or Technical Provisions basis except that it incorporated a discount rate assuming returns of 0.5% above Gilt yields for all members.

Additional Information

Pensions Act 1995 and 2004

Appointment of advisers

The Pensions Act 1995 requires the Trustee to appoint its own advisers. All the advisers have formally accepted the appointments and confirmed that they will notify the Trustee should any conflicts of interest arise in relation to the Plan. The advisers are listed on page 2.

Member Nominated Directors

The Pensions Act 2004 requires trustees of pension schemes to implement their own arrangements for appointing member nominated directors .

The Trustee's arrangements involve inviting nominations for vacancies from deferred or pensioner members. Widow(ers), dependant members and pension sharing spouses are ineligible for nomination.

The nominations are then reviewed by the Trustee's appointments sub-committee and a shortlist is created. Short-listed candidates are then interviewed by a different sub-committee and a decision on an appointment is made.

Successful candidates are appointed for a period of four years.

Internal Disputes Resolution Procedure

The Trustee has an internal disputes resolution procedure in place. Information on how to refer a complaint to the internal disputes resolution procedure is available by writing to the Trustee Secretary at:

TRW Pensions Trust Limited
Aftermarket Building
Stratford Road
Shirley
Solihull
B90 4AX

Statement of Investment Principles

On 30 September 2016, the Trustee revised its Statement of Investment Principles. See pages 52 to 58 for a copy of the revised statement.

Funding Documents

The Plan's first Statement of Funding Principles was produced as part of its first actuarial valuation, which was calculated as at 31 March 2015 and completed on 9 June 2016. A Schedule of Contributions for the Plan was signed on 9 June 2016, which took effect from 31 May 2016.

Internal Controls

A compliance statement is produced annually by the Trustee Secretary and the Plan's administrator for the Trustee, to provide information regarding the administration of the Plan. The statement outlines the statutory requirements along with non-statutory best practice. It details any breaches that have occurred during the year. In response to the Pensions Regulator's code on internal controls the Trustee has prepared a schedule of risks faced by the Plan. The contents of the risk register are taken into account when the Trustee set its goals, as part of its annual business plan.

Myners compliance

On 6 February 2003 the Trustee approved its response to the ten Myners principles. This response is contained in a document called Principles of Investment Decision Making.

In 2007 the Government asked the National Association of Pensions Funds (NAPF) to assess the extent to which pension fund trustees are applying these principles. Following the NAPF's recommendations the Government issued a consultation paper outlining six simplified high-level principles.

At a meeting on 4 March 2015 the Trustee approved its Principles of Investment Decision Making document. The document is in line with the best practice outlined in the October 2008 Government response to the consultation paper.

In Notes 12 to 15 to the Accounts the transaction and management costs of the investment portfolios are disclosed. This is in line with the requirements of the original Myners principles.

Corporate governance and shareholder activism

The Trustee considers corporate, environmental and social responsibility issues as far as they impact the performance of the assets of the Plan. The policies of the Trustee's investment managers are in line with the Trustee's policy.

The Trustee has delegated the exercise of any voting rights to the Plan's investment managers on the basis that voting rights should be exercised with the aim of preserving and enhancing long-term shareholder value. The investment managers provide reports on any votes cast to the Trustee on a quarterly basis.

Investment Report

Investment managers

As at 31 March 2016 the following investment managers were appointed by the Trustee:

- Legal & General Investment Management
- CBRE Global Investors
- M&G Investments
- Babson Capital Management

The Trustee's appointed investment managers were regulated during the year by either or both of the Prudential Regulation Authority and Financial Conduct Authority. In addition, CBRE Global Investors is a member of the Royal Institution of Chartered Surveyors.

The investment management costs are borne by the Plan and detailed in the accounts.

Custody of investments

The majority of the Plan's segregated assets are held by the Trustee's appointed custodian, Bank of New York, Mellon. A custodian agreement between Bank of New York Mellon and TRW Pensions Trust Limited details the terms on which the custodian holds the Plan's assets and the respective responsibilities of the custodian and the Trustee. All of the title documents of the Plan's assets are held by the custodian under the control of the Trustee. Physical documents are held in a strong room and access is limited by the custodian's own strict security procedures. Regular reconciliations of the holdings are carried out and a copy of the custodian's report on internal controls is kept and reviewed by the Plan Administrator.

The Plan‘s investments held by the custodian are registered as follows:

- United Kingdom investments are in the name of a nominee of the custodian with the designation account 'TRW Pensions Trust Limited' or some other account designation specifying they are the assets of TRW Pensions Trust Limited.

- United States investments are in the name of a nominee with the designation on the books and records of the custodian which is specific to TRW Pensions Trust Limited added to the nominee's name.

- Other investments are in the name of either the custodian or a nominee with a designation to make clear the registered holder is not the beneficial owner.

The custodian will only release title documents after a series of security checks have taken place. These include:

- A dual electronic instruction to the custodian involving the use of passwords.

- The custodian has received payment.

Cash is placed on short-term deposit with banks in the name of TRW Pensions Trust Limited.

Pinsent Masons LLP provides custody services for the property documentation relating to the property investments of TRW Pensions Trust Limited. Pinsent Masons LLP has secure deed rooms and operates a computerised deed record system. No deed can be removed from the deed room except by specific request from the relevant fee earner or their secretary on behalf of the fee earner. Access to the secure deed room is only by personnel authorised by Pinsent Masons LLP.

Internal controls

The Trustee has received and reviewed the following reports dealing with the internal controls of its appointed investment managers and custodian:

Company	Appointment	Reporting Period
Bank of New York Mellon	Custodian	1 April 2015 to 31 March 2016
Legal & General Investment Management	Investment Manager	1 January 2015 to 31 December 2015
CBRE Global Investors	Investment Manager	1 January 2015 to 31 December 2015
M&G Investments	Investment Manager	1 January 2015 to 31 December 2015
Babson Capital Management	Investment Manager	1 September 2014 to 31 August 2015

Asset allocation

The Trustee acts on the advice of its Investment Sub-Committee, its investment adviser and the Plan Actuary to put in place an investment structure whereby the Plan's liabilities determine the type of assets held by the Plan. This approach to investments is called 'liability driven investment' (LDI). The Trustee considers the investments to be suitable to the Plan's stated objectives. The central features of this strategy are as follows:

- To manage the interest rate and inflation risk inherent in the Plan's liabilities by the use of physical and derivative assets.

- To retain an exposure to equity markets through a combination of physical assets and derivatives to target a level of long term investment return necessary for the Plan to meet its funding objective. This exposure is managed through the use of derivative collars to limit the volatility associated with equity investments.

- A controlled use of derivatives to increase the yield on the Plan's physical assets through exposure to credit markets.

At the year end the majority of the Plan's assets were managed by Legal & General Investment Management. These assets form a 'collateral pool' designed to support the LDI strategy and to provide collared exposure to equity market returns. The collateral pool comprises the following physical assets:

- UK Gilts.
- UK Index-linked Gilts.
- Money market instruments.
- Cash.

The remainder of the Plan's assets are a combination of:

- Property.
- Asset backed securities.
- Secured Loans.
- Global high yield credit.

Changes during the year

During the year the following significant changes in asset allocation were made:

- A new £100 million allocation to a Global high yield credit managed by Babson Capital. This was funded by a reduction of £25 million in the European Loans mandate, £35 million from the asset backed securities mandate and £40 million from cash proceeds.
- A number of directly owned UK property assets managed by CBRE Global Investors were sold reducing the market value of the Plan's direct UK property investments from £43.8 million to £25.9 million as at 31 March 2015.

The Plan’s largest physical investments

The Plan’s largest 20 physical holdings excluding cash and derivatives at the year end is shown in the table below.

Asset Class	Security	Maturity	Market Value £’million	% of total net assets
UK Treasury	Fixed 4.25%%	07/12/40	296.91	20.31
UK Treasury	Index Linked 1.875%	22/11/22	136.81	9.36
UK Treasury	Fixed 4.250%	07/12/49	110.98	7.59
UK Treasury	Index Linked 0.375%	22/03/62	103.30	7.06
UK Treasury	Index Linked 2.500%	16/04/20	95.80	6.55
UK Treasury	Index Linked 1.250%	22/11/32	92.77	6.34
UK Treasury	Index Linked 2.000%	26/01/35	91.69	6.27
UK Treasury	Fixed 4.250%	07/12/46	72.09	4.93
UK Treasury	Index Linked 0.125%	22/03/29	65.52	4.48
UK Treasury	Index Linked 0.750%	22/03/34	34.46	2.35
UK Treasury	Index Linked 0.125%	22/03/46	33.75	2.31
UK Treasury	Index Linked 0.125%	22/03/58	26.02	1.78
UK Treasury	Index Linked 0.625%	22/03/40	23.01	1.57
UK Treasury	Fixed 4.25%	07/12/55	17.38	1.19
UK Property	Hannover Place, Bromley	-	14.80	1.01
UK Treasury	Index Linked 0.125%	22/03/24	11.44	0.78
Asset Backed Security	Southern Pacific S 2X D1C	10/12/42	9.30	0.64
Asset Backed Security	Thrones 2014 PLC 1 C	15/11/49	9.17	0.63
Asset Backed Security	FCT GIAC Obligations 7 PI	31/07/22	8.01	0.55
Asset Backed Security	Mint 2015 PLC 1	22/02/25	7.88	0.54
			1,261	86.24

Statement of Investment principles

The Statement of Investment Principles deals with the following topics:

- Fund managers
- Investment adviser
- Investment objectives
- The kind and balance of investments
- Risk
- Expected return on investments
- Mandates to the investment managers
- Investment management fees
- Realisation of investments
- Statutory funding objective
- Socially responsible investment
- Exercise of voting rights
- Custodian

The current statement, implemented from 30 September 2016, is included on pages 52 to 58. A separate copy of the statement can be obtained by writing to the Trustee Secretary.

Employer related investments

During the year the Plan had no investment in TRW Automotive Holdings Corporation or ZF Friedrichshafen AG, and no direct investments in any connected employer.

There were no member contributions due from the employer.

Stock lending

As at 31 March 2016, the majority of Plan's assets were held under the segregated custody of Bank of New York Mellon, which did not engage in any stock lending.

Review of investments

During the year the Trustee, with the help of its professional advisers, has carefully considered the Plan's investments. They are satisfied that the investments conform to all the statutory criteria.

Investment performance

Independent performance measurement is provided to the Plan by Mellon Analytics.

Benchmark

The investment performance benchmark for the Plan is the Plan's liabilities. The Plan's liabilities are measured on a Technical Provisions basis (Statutory Funding Basis) and other actuarial bases. In order to meet the Plan's immediate and long term funding objectives, the Plan's assets must outperform its liabilities. The performance of the Plan's assets measured against its liabilities for the Plan year ending 31 March 2016 is shown below:

Asset performance	*Liabilities measured on a Technical Provisions basis*	*Liabilities measured on an Economic basis*[1]
+6%	5%	4%

As a consequence of the Plan's asset and liability outperformance, the Plan's estimated funding position as at 31 March 2016 is:

Date	*Funding position on a Technical Provisions basis*	*Funding position measured on an Economic basis*
31 March 2016	113%	90%

[1] An 'Economic basis' refers to a level of funding that incorporates more prudent assumptions about future investment returns (i.e. a discount rate in line with the yields available from UK Government bonds or swaps) and life expectancy than the Technical Provisions basis. At this level of funding the Plan would be expected to be in a position to deliver benefits on a self sufficient basis with a high degree of certainty.

Returns

The combined return of Plan and TRW Pension Scheme measured over one, three, five and ten years are detailed below.

Period to 31 December 2015	Annual Return
Last year	6.32%
Last 3 years	10.31%
Last 5 years	11.68%
Last 10 years	7.38%

Source: Mellon Analytics (for asset performance) and Hymans Robertson (for liability performance). These figures are based upon various estimates and assumptions and have been provided for the sole use and benefit of the Trustee of the TRW Pension Plan and not for any other party. Hymans Robertson LLP makes no representation or warranty to any third party as to the accuracy or completeness of the information.

Statement of Trustee responsibilities for the financial statements

The audited financial statements are the responsibility of the Trustee. They are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. Pension scheme regulations require the Trustee to make available to Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

- Show a true and fair view, of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and

- Contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, ‘Financial Reports of Pension Schemes’.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgments on a reasonable and prudent basis. It is also responsible for making available each year, commonly in the form of a Trustee’s annual report, information about the Plan prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee’s responsibilities accompanying the Trustee’s summary of contributions.

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

Conclusion

The Trustee acknowledges with thanks the help and support it has received from everyone associated with the administration of the Plan.

If a member has any queries about the operation of the Plan or about their benefits they should raise them with Capita Employee Benefits at the address shown on page 2.

By order of the directors of TRW Pensions Trust Limited.

Mr Peter Middleditch
On behalf of the Trustee of the TRW Pension Plan

30 September 2016

Annual Governance Statement for the Plan
Year ending 31 March 2016

Introduction

This statement has been prepared by the Trustee of the Plan in accordance with Regulation 23 of the Occupational Pension Scheme (Scheme Administration) Regulations 1996 (the "Regulations") and describes how the Trustee has met the required governance standards in relation to the default arrangement, processing financial transactions, charges and transaction costs borne by members, and trustee knowledge and understanding. For the avoidance of doubt, this statement relates only to categories of benefits held within the Plan which fall within the scope of Regulation 23 of the Regulations.

This statement covers the period from 6 April 2015 to 31 March 2016.

Default Arrangement

All members of the Plan are deferred and no contributions have been made by or in respect of them during the period covered by this statement. On that basis, and for the purposes of Regulation 23 of the Regulations, the Trustee believes that the Plan does not have a default arrangement (within the definition set out in Regulation 1 of the Occupational Pension Schemes (Investment) Regulations 2005).

Core Financial Transactions

The requirements of Regulation 24 of the Regulations have been met and core financial transactions which are administered by the Trustee have been processed promptly and accurately. The Trustee has internal controls in place to ensure that all core financial transactions are processed in accordance with Regulation 24 of the Regulations, and the Trustee is not aware of any instances or material administrative errors or non-compliance with Regulation 24 of the Regulations during the period covered by this statement.

A small number of legacy additional voluntary contribution (AVC) accounts are not administered by the Trustee. The Trustee has written to Royal London, Clerical Medical, Standard life, Fidelity and Pheonix and requested confirmation that all core financial transactions which are administered externally have been processed promptly and accurately. The Trustee is not aware of any instances of non-compliance and regularly monitors the performance of all external administrators.

Charges and Transaction Costs

The range of the levels of charges and transaction costs applicable to the Plan's investment funds during the period covered by this statement are 0% – 1.02%.

The Trustee has assessed the extent to which the charges and transaction costs set out above represent good value for members and have concluded that members do receive good value for money. The Trustee reviews all member charges on a regular basis to ensure that members receive good value for money and notes that value for money does not necessarily mean the lowest fee, but rather the overall quality of the service provided.

Trustee Knowledge and Understanding

The requirements under section 248 of the Pensions Act 2004 relating to knowledge and understanding of corporate trustees have been met by the Plan during the period covered by this statement.

The Plan's Trustee Directors have ensured their knowledge and understanding is sufficient to comply with these requirements by receiving training from the Plan's actuary. The Trustee Directors also use the Pensions Regulator's Trustee Toolkit for training purposes.

The combined knowledge and understanding of the Trustee, together with the advice which is available to it from its professional advisors ensures it is able to properly exercise its functions as Trustee.

Signed for and on behalf of TRW Pensions Trust Limited

Chairman - Mr Stephen Batterbee
30 September 2016

Fund Account & Net Assets Statement

Fund Account

	Notes	Year ended 31 March 2016 £'000	Period to 31 March 2015 £'000
Contributions and benefits			
Employer Contributions	4	4,941	4,600
Transfers in	5	59	1,415,818
		5,000	1,420,418
Benefits paid or payable	6	(17,412)	(5,918)
Payment to and on account of leavers	7	(20,538)	(78,673)
Administration expenses	8	(663)	(385)
Professional adviser fees and levies	9	(1,815)	(1,551)
		(40,428)	(86,527)
Net (withdrawals)/additions from dealings with members		**(35,428)**	1,333,891
Returns on investments			
Investment income	10	38,527	9,109
Change in market value of investments	11	48,386	76,023
Investment management expenses	15	(4,310)	(4,000)
Net returns on investments		**82,603**	81,132
Net increase in the fund during the year		47,175	1,415,023
Net assets of the Plan at start of year		1,415,023	-
Net assets of the Plan at end of year		**1,462,198**	1,415,023

The accompanying notes on pages 28 to 43 are an integral part of these financial statements.

Statement of Net Assets available for Benefits

	Notes	31 March 2016 £'000	31 March 2015 £'000
Investment assets:	11		
Pooled investment vehicles	16	287,080	413,853
Bonds		1,443,366	1,132,558
Property	17	24,070	55,863
Derivative assets	18	1,028,433	1,014,366
External additional voluntary contribution	19	945	965
Cash		7,458	18,837
Investment assets	24	7,737	5,034
		2,799,089	2,641,476
Investment liabilities:			
Derivative liabilities	18	(1,333,268)	(1,222,223)
Investment liabilities	24	(768)	(2,068)
		(1,334,036)	(1,224,291)
Current assets	23	1,137	1,121
Current liabilities	23	(3,992)	(3,283)
Net assets of the Plan at 31 March		**1,462,198**	1,415,023

The accompanying notes on pages 28 to 43 form part of these financial statements.

The financial statements summarise the transactions of the Plan 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 Plan year. The actuarial position of the Plan, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on page 59 of the Annual Report and these financial statements should be read in conjunction with this report.

Approved by the Directors of the Trustee Company

Chairman – Mr Stephen Batterbee **Director – Mr Paul Birkett**

30 September 2016

Notes to the Financial Statements

Note 1 Basis of preparation

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

In adopting FRS 102, the Trustees have adopted the provisions of 'Amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland – Fair value hierarchy disclosures (March 2016)' early.

Note 2 Transition to FRS 102

Annuity policies were previously included in the Statement of Net Assets at nil value as permitted by the Audited Accounts Regulations and the previous SORP. Under FRS 102 annuity policies are reported at the value of the related obligation to pay future benefits funded by the annuity policy.

The Trustee has determined that there are no material annuity policies held in the name of the Trustee.

Note 3 Accounting policies

The principal accounting policies of the Plan are as follows:

- Contributions are accounted for on the due dates which they are payable in accordance with the Schedule of Contributions
- Income from pooled investment vehicles is re-invested and reflected in the unit price. Property income is earned in accordance with the terms of the lease. Income from bonds and cash is recognised as the interest accrues.
- Receipts from annuity policies held by the Trustees to fund benefits payable to Plan members are included within investment income on an accruals basis.
- Expenses are dealt with on an accruals basis.
- Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit or, if there is no member choice, on the date of retirement or leaving.
- Transfer payments in respect of members transferred to and from the Plan during the period are included in the accounts on the basis of sums advised by the actuary at the time the accounts for the period are finalised.
- Listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement. Unlisted investments are priced using quotes provided by external brokers.
- Pooled investment vehicles are stated at bid price for funds with bid/offer spread or single price where there are no bid/offer spreads, as provided by the investment manager.
- Foreign currency investments are translated into sterling at the rates of exchange ruling at the net assets statement due. Foreign currency investment income is recorded at the rate ruling at the date of the transaction.

Note 3 Accounting policies (continued)

- Derivatives:
  - Derivatives are stated at market value.
  - Exchange traded derivatives are stated at market values determined using market quoted prices
  - For exchange traded derivative contracts which are assets, market value is based on quoted bid prices.
  - For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.
  - Over the counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year-end date.
  - Forward foreign exchange contracts are valued by determining 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.
  - All gains and losses arising on derivative contracts are reported with 'Change in Market Value'.
- The property investments of the Plan are included in the accounts at open market value at the net assets statement date. This value is determined by independent external valuers in accordance with the Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors. The properties have been valued by the Plan's property valuer (see note 13). No depreciation is provided on property assets in accordance with SSAP19: Accounting for Investment Properties.
- Purchases and sales of properties are recognised in the accounts upon unconditional exchange of contracts. Property rental income is recognised on an accruals basis.
- The Plans functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Plan year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

Note 4 Contributions	Year ended 31 March 2016 £'000	Period to 31 March 2015 £'000
Company contributions – discretionary	4,941	4,600

Note 5 Transfers in	Year ended 31 March 2016 £'000	Period to 31 March 2015 £'000
Reinstatement of members	59	73
Group transfer from TRW Pension Scheme	-	1,415,745
	59	1,415,818

The group transfer of £1.415m, during the period ended 31 March 2015, represents the assets in respect of members of the TRW Pension Scheme who transferred in on 10 December 2014.

Note 6 Benefits paid or payable	Year ended 31 March 2016 £'000	Period to 31 March 2015 £'000
Pensions	12,430	3,880
Commuted lump sums	4,862	1,951
Death benefits	120	87
	17,412	5,918

Note 7 Payments to and account of leavers	Year ended 31 March 2016 £'000	Period to 31 March 2015 £'000
Individual transfers to other schemes	20,538	73,748
Buy out annuity policy	-	4,925
	20,538	78,673

Note 8 Administrative expenses	Year ended 31 March 2016 £'000	Period to 31 March 2015 £'000
Administration	406	230
Secretarial and Trustee expenses	249	145
Website	8	10
	663	385

Note 9 Professional adviser fees and levies	Year ended 31 March 2016 £'000	Period to 31 March 2015 £'000
Hymans Robertson – Actuarial fees	399	387
Hymans Robertson – Investment adviser fees	230	59
Travers Smith – Legal fees	167	483
KPMG – Audit fees	48	77
Mercer – Annuity broking	219	520
KPMG – Risk Management	20	20
Health Management – Medical fees	7	1
Penfida – Covenant review	60	-
Capita – Liability management activity	228	-
Club Vita – Longevity analysis	10	-
EDM Group – Microfiche archiving	122	-
JLT Wealth Management – Financial advice	121	-
LEBC Group – Data collection	162	-
Pension Protection Fund – Regulatory levy	22	-
Other advisers	-	4
	1,815	1,551

Note 10 Investment income	Year ended 31 March 2016 £'000	Period to 31 March 2015 £'000
Income from bonds	27,589	4,793
Net rents from properties	3,363	1,141
Income from pooled investment vehicles	7,317	2,799
Interest on cash account	170	222
Annuity income	88	154
	38,527	9,109

Note 11 Reconciliation of investments at the beginning and end of the year

	Value at 1 April 2015 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31 March 2016 £'000
Pooled investment vehicles	428,121	358,826	(501,778)	1,911	287,080
Derivatives					
- Equity Options	54,512	-	-	9,882	64,394
- Swaps	(269,443)	53,335	(164,167)	13,465	(366,810)
- Foreign Exchange	7,074	10,021	(15,932)	(3,582)	(2,419)
Bonds	1,132,558	1,190,890	(885,489)	5,407	1,443,366
Property	41,595	-	(38,606)	21,081	24,070
External additional voluntary contributions	965	-	(43)	23	945
	1,395,382	**1,613,072**	**(1,606,015)**	**48,187**	**1,450,626**
Cash deposits	18,837			199	7,458
Other current investment assets and liabilities (see note 24)	2,966				6,969
	1,417,185			**48,386**	**1,465,053**

Note 12 Transaction costs

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

Transaction costs analysed by main asset class and type of cost are as follows:

	Fees £'000	Commission £'000	Taxes £'000	Total 2016 £'000	Total 2015 £'000
Equities	-	-	-	-	-
Bonds	-	-	-	-	-
Other	807	-	-	807	-
	807	**-**	**-**	**807**	**-**

There were no indirect costs incurred through the bid and offer spread on investments within pooled investment vehicles during the period.

Note 13 Property transaction costs

	Year ended 31 March 2016 £'000	Period to 31 March 2015 £'000
Property sales during the period	38,123	33,007
Costs associated with property sales:		
Rental guarantee	(205)	(250)
CBRE transaction fees	(245)	(164)
Pinsent Masons – transaction fees	(68)	(50)
Other professional fees	(234)	(215)
	(752)	(679)
Net property sales and purchases at cost	37,371	32,328

Note 14 Investment management expenses

	Year ended 31 March 2016 £'000	Period to 31 March 2015 £'000
Non-property Management Expenses		
Legal & General Investment Management	1,230	2,002
M&G Investments	999	562
Goldman Sachs Asset Management	-	124
Bank of New York Mellon	93	74
	2,322	2,762
Property Management Expenses		
Pinsent Masons	182	21
CB Richard Ellis – UK Properties	256	55
Property Management Costs:		
Building and refurbishment	64	525
Insurance claim proceeds	-	(181)
Head rent & rates	72	37
Vacant unit costs	436	44
Marketing & letting	28	7
Bad debt write offs	(174)	(25)
Other professional fees	372	76
	1,236	559
Total investment management expenses	3,558	3,321

Note 15 Total investment management and transaction costs

	Year ended 31 March 2016 £'000	Period to 31 March 2015 £'000
Non-property Management Expenses (see note 14)	2,322	2,762
Property Management expenses (see note 14)	1,236	559
Property transaction costs (see note 13)	752	679
	4,310	4,000

Note 16 Pooled investment vehicles

	2016 £'000	2015 £'000
Unit Trusts – Fidelity	70	139
Versatile European Loans Fund – M&G Investments	138,620	164,558
Liquidity Fund – Legal & General	31,272	249,154
Smaller European Companies Fund – Montanaro	-	2
Global Multi-Credit Strategy Fund - Babson	103,080	-
European Property Unit Trusts	14,038	14,268
	287,080	428,121

Note 17 Market value of property investments

Sector	2016 £'000	**Geographical**	2016 £'000
Industrials	3,570	South East	14,800
Offices	7,740	East Midlands	3,570
Retail	7,060	North West	5,700
Other Commercial	5,469		
Residential	231		
Total	24,070	**Total**	24,070

See note 3 for details of the valuation basis.

Note 18 Derivatives

Swaps

The Trustee's aim is to match off the Plan's long term liabilities with its fixed income assets, in particular in relation to the liabilities' sensitivities to interest rate movements and inflation. The Trustee has entered into interest rate, inflation and credit default swaps to better align the Plan's assets to the long term liabilities of the Plan. The Plan had the following swaps contracts outstanding at the period end:

Type	Duration	Notional Exposure £'000	Asset value at 31 March 2016 £'000	Liability value at 31 March 2016 £'000
Credit Default Swaps	2026	217,680	-	(1,998)
Interest Rate Swaps	2016-2065	3,039,427	654,214	(632,534)
Inflation Swaps	2020-2065	786,835	5,572	(219,209)
Total Return Swaps	2022-2040	706,445	14,724	(187,579)
			674,510	(1,041,320)

Foreign exchange

The Trustee has taken out a number of foreign exchange forwards to hedge its overseas currency assets back into sterling. The Plan had the following foreign exchange contracts outstanding at the year end:

Type	Duration	Notional Exposure £'000	Asset value at 31 March 2016 £'000	Liability value at 31 March 2016 £'000
EUR/GBP	2016	156,218	-	(3,383)
GBP/EUR	2016	32,589	964	-
			964	(3,383)

Equity Options

The Trustee's objective is to benefit from the potentially greater returns available from investing in equities but wishes to minimise potential losses of value through adverse equity price movements. It has therefore taken out a series of 'put', 'call' and 'at the money' options which provide the Plan with exposure in global developed equity markets but restrict the negative returns the Plan can make by capping the positive returns the Plan can earn. The Plan had the following option contracts outstanding at the period end:

Type of option	Notional amount £'000	Expiry	Asset value at 31 March 2016 £'000	Liability value at 31 March 2016 £'000
Low put, high put, call and at the money options	411,600	2019	352,959	(288,565)
			352,959	(288,565)

Note 18 Derivatives (continued)

Counterparties to derivatives

The following table shows the total net valuation of the Plan's derivative positions as at 31 March 2016, split by counterparty and type of derivative. The values quoted are based on mid prices. All derivative positions are fully collateralised on a daily basis.

Counterparty	Equity Options £'million	Interest Rate Swaps £'million	Inflation Swaps £'million	Credit Default Swaps £'million	Total Return Swaps £'million	Total value £'million
Goldman Sachs	18.5	(7.4)	(316.0)	(2.1)	-	(306.9)
Barclays Capital	-	-	(25.5)	-	0.4	(25.2)
UBS	-	(5.7)	-	-	-	(5.7)
Deutsche	-	(85.4)	(21.5)	-	-	(106.9)
RBS	-	(70.7)	(16.4)	-	-	(87.1)
Lloyds	-	-	-	-	14.9	14.9
Morgan Stanley	46.8	189.7	(20.8)	-	-	215.7
Total	65.3	20.4	(400.2)	(2.1)	15.2	(301.2)

Summary of derivative assets and liabilities

	Asset value at 31 March 2016 £'000	Liability value at 31 March 2016 £'000	Net position at 31 March 2016 £'000
Swaps	674,510	(1,041,320)	(366,810)
Equity Options	352,959	(288,565)	64,394
Foreign Exchange	964	(3,383)	(2,419)
	1,028,433	(1,333,268)	(304,835)

Note 11 contains additional details about the Plan's derivative investments.

Note 19 External additional voluntary contributions

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The Trustees hold assets invested separately from the main Fund in the form of individual insurance policies securing additional benefits on a money purchase basis for some members electing to pay Additional Voluntary Contributions. Members participating in these arrangements each receive an annual statement confirming the amounts held in their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	2016 £'000	2015 £'000
Clerical Medical	256	273
Royal London	333	316
Standard Life	172	193
Fidelity	171	171
Phoenix	13	12
	945	965

Note 20 Fair value determination

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

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

As at 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	1,083,536	359,831	-	1,443,367
Property	-	-	24,070	24,070
Pooled investment vehicles	-	287,080	-	287,080
Derivatives	-	(369,229)	64,394	(304,835)
Cash	7,458	-	-	7,458
	1,090,994	277,682	88,464	1,457,140

As at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	866,104	266,454	-	1,132,558
Property	-	-	41,595	41,595
Pooled investment vehicles	-	428,121	-	428,121
Derivatives	-	(262,369)	54,512	(207,857)
Cash	18,837	-	-	18,837
	884,941	432,206	96,107	1,413,254

Note 21 Concentration of investments

There were no investments (other than UK Government Securities) which made up more than 5% of the total net assets.

Note 22 Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

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 of 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 of 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 of 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 their investment strategy after taking advice from a professional investment adviser. The Plan 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 Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Plan's investment managers and monitored by the Trustees by regular reviews 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 legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Plan.

Investment Strategy

The investment objective of the Trustee 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 Plan payable under the trust deed and rules as they fall due.

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

The current strategy is to hold:

a. 50% in investments that move in line with the long term liabilities of the Plan. This is referred to as Liability Driven Investment (LDI) and comprises UK government bonds, interest rate swaps and inflation swaps, the purpose of which is to hedge against the impact of interest rate and inflation movement on long term liabilities.

b. 50% in return seeking investments comprising exposure to equity and credit markets through a combination of physical assets and derivatives and direct investment in property, asset backed securities, global high yield credit and secured loans.

Note 22 Investment risk disclosures (continued)

(i) Credit Risk

The Plan is subject to credit risk as it invests in bonds, OTC derivatives, asset backed securities and has cash balances. The Plan 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 is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

A summary of exposures to credit risk is given in the following table, the notes below which explain how this risk is managed and mitigated for the different classes:

Analysis of direct credit risk

As at 31 March 2016	Investment Grade	Non-investment Grade	Unrated	Total
	£'000	£'000	£'000	£'000
Bonds	1,213,088	-	-	1,213,088
OTC Derivatives (assets)	1,028,433	-	-	1,028,433
Asset backed securities	230,279	-	-	230,279
Cash	7,458	-	-	7,458
Pooled investment vehicles	-	-	287,012	287,012
	2,479,258	-	287,012	2,766,270

As at 31 March 2015	Investment Grade	Non-investment Grade	Unrated	Total
	£'000	£'000	£'000	£'000
Bonds	866,104	-	-	866,104
OTC Derivatives (assets)	1,014,366	-	-	1,014,366
Asset backed securities	266,454	-	-	266,454
Cash	18,837	-	-	18,837
Pooled investment vehicles	-	-	427,983	427,983
	2,165,761	-	427,983	2,593,744

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. This is the position at the year end.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Plan is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 18). 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.

Cash is held within financial institutions which are at least investment grade credit rated.

Note 22 Investment risk disclosures (continued)

The Plan's holdings in pooled investment vehicles are primarily investment grade and non-investment grade with the exception of the Plan's European Property investments which are unrated. Direct credit risk arising from pool 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. Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environments of the pooled manager.

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

	2016 £'000	2015 £'000
Authorised unit trusts	10,387	11,009
Open ended investment companies	276,695	417,112
	287,082	428,122

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by ensuring the investment manager diversifies the portfolio to minimise the impact of default by any one issuer.

(ii) Currency Risks

The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets, either as segregated investments or through pooled investment vehicles. The Plan limits overseas currency exposure through a currency hedging policy using forward foreign currency contracts.

31 March 2016	Gross Exposure £'000	Hedged Exposure £'000	Net Unhedged Exposure £'000
Euro	204,403	204,403	-
US Dollar	73,727	73,727	-
Yen	-	-	-
Other	-	-	-
	278,130	278,130	-

31 March 2015	Gross Exposure £'000	Hedged Exposure £'000	Net Unhedged Exposure £'000
Euro	234,106	234,106	-
US Dollar	31,347	31,347	-
Yen	-	-	-
Other	-	-	-
	265,453	265,453	-

Note 22 Investment risk disclosures (continued)

(iii) Interest rate risk

The Plan is subject to interest rate risk because some of the Plan's investments are held in bonds, interest rate swaps and cash. Under the Plan's LDI strategy, if interest rates fall, the value of the LDI investments will rise to help match the increase in the 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 comprised:

	2016 £'000	2015 £'000
Direct		
Bonds	1,213,088	866,104
Swaps	(364,813)	(269,074)
Indirect		
Cash PIV	31,272	249,155
	879,547	846,185

(iv) Other price risk

Other price risk arises principally in relation to the Plan's return seeking portfolio which includes exposure to equities (through the use of derivatives) and investment properties.

The Plan manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets. Equity risk is managed through the use of derivative collars to limit the volatility associated with equity investments.

At the year end, the Plan's exposure to investments subject to other price risk was:

	2016 £'000	2015 £'000
Direct		
Equity derivative contracts	64,394	54,512
Commercial properties	24,070	41,595
Indirect		
European property PIVs	14,039	14,268
	102,503	110,375

Note 23 Current assets and liabilities

	2016 £'000	2015 £'000
Current Assets		
Cash at bank	1,036	1,034
Administration VAT receivable	85	50
Other debtors	16	37
	1,137	1,121
Current Liabilities		
Unpaid benefits	(248)	(466)
Advisers' fees	(2,040)	(1,885)
Other creditors	(1,704)	(932)
	(3,992)	(3,283)
Net current liabilities	(2,855)	(2,162)

Note 24 Current investment assets and liabilities

	2016 £'000	2015 £'000
Current Investment Assets		
Interest receivable – bonds	7,800	4,113
Interest receivable – cash	2	5
Rent receivable	177	508
Dividends receivable	21	117
Property debtors	(263)	291
	7,737	5,034
Current Investment Liabilities		
Deferred rental income	(415)	(665)
Provision for property bad debts	(49)	(549)
Rental deposits	(98)	(124)
Property creditors	(166)	(633)
Property investment VAT	(40)	(97)
	(768)	(2,068)
Net current investment assets	6,969	2,966

Note 25 Taxation

The Plan 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.

Note 26 Related party transactions

Transactions with related parties of the Plan have been disclosed in the Trustee report as follows:

- During the year £34,500 was paid to JMRC Pensions Limited in respect of fees for the Independent Trustee Director.

Report of the Auditor

Independent Auditor's Report to the Trustee of the TRW Pension Plan

We have audited the financial statements of TRW Pension Plan for the year ended 31 March 2016 set out on pages 25 to 43. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS102 The Financial Reporting Standard applicable to the UK and Republic of Ireland.

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

Respective responsibilities of the Trustee and auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 21, the Plan Trustee is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year ended 31 March 2016 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Nadia Dabbagh-Hobrow **30 September 2016**
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Statement of Trustee's responsibilities in respect of contributions

The Plan's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid. The Plan's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Plan in accordance with the Schedule.

Summary of Contributions payable under the Schedule in respect of the year ended 31 March 2016

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Plan under the interim Schedule of Contributions certified by the actuary on 18 November 2014 in respect of the Plan year ended 31 March 2016. The Plan Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

During the year period ended 31 March 2016 the contributions payable to the Plan under the interim Schedule of Contributions were as follows:

	£'000
Company contributions – deficit funding	-
Contributions payable under the interim Schedule of Contributions (as reported on by the Scheme Auditor)	-

Information about contributions

Under the interim Schedule of Contributions in place at 31 March 2016, no contributions were payable. There were no normal contributions from members as active accrual ceased on 28 February 2015 and was on a non-contributory basis.

Reconciliation of contributions

	£'000
Contributions payable under the Interim Schedule of Contributions reported in the accounts in respect of the year (as above):	-
Contributions payable in addition to those due under the Interim Schedule of Contributions and not reported on by the Plan Auditor:	
- Company contributions – discretionary	4,941
Total contributions reported in the accounts	4,941

Approved by the Board

Chairman – Mr Stephen Batterbee
30 September 2016

Independent Auditor's Statement about Contributions to the Trustee of the TRW Pension Plan

We have examined the Summary of Contributions payable under the schedule of contributions to the TRW Pension Plan in respect of the Plan year ended 31 March 2016 which is set out on page 46.

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

Respective responsibilities of the Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 21, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the schedule of contributions.

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

Scope of work on statement about contributions

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

Statement about contributions payable under the schedule of contributions

In our opinion contributions for the Plan year ended 31 March 2016 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the interim schedule of contributions certified by the actuary on 18 November 2014.

Nadia Dabbagh-Hobrow **30 September 2016**
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Schedule of Contributions

Interim Schedule of Contributions

Under Section 227 of the Pensions Act 2004, the Trustee of the TRW Pension Plan ('the Plan') must put in place a Schedule of Contributions which is certified by the Scheme Actuary. As the Plan is newly established and has not yet undergone a scheme specific valuation under the Pensions Act 2004, a Statement of Funding Principles has not yet been agreed. Therefore, this interim schedule is expected to remain in place until the first actuarial valuation (to be carried out with effective date 31 March 2015) is completed and a Schedule of Contributions is agreed.

This schedule has been prepared with the agreement of TRW Limited ('the Employer') after taking the advice of Ronald S Bowie (the 'Scheme Actuary').

This interim schedule comes into effect from 14 November 2014 and includes the Scheme Actuary's certification.

Employee contributions

No employee contributions are required under the Rules of the Plan.

Employer Contributions

The Employer will pay such contributions, agreed by the Trustees and the Employer and having taken advice from the Scheme Actuary, as are necessary to fund the benefits accruing to active members. These contributions shall be payable by the end of April following the Plan year in which the relevant benefits were accrued and shall fall due for payment only to the extent that the Plan was not fully funded (using the assumptions underlying the Technical Provisions for the TRW Pension Scheme)[1] at the end of that Plan year.

The Employer will pay any underpin payment(s) due to the Plan in relation to Project Cerberus[2], to the extent that any such underpin payment(s) have not already been made to the TRW Pension Scheme.

With effect from January 2015 and until the Schedule of Contributions relating to the first actuarial valuation of the Plan has been signed, the Employer will:

- Pay monthly contributions of £2.5m per month in the event that the funding level of the TRW Pension Plan, calculated on the Conservative Basis[3] falls below 99% for any three consecutive months[4]; and

- Cease these monthly contributions in the event that the funding level of the TRW Pension Plan, calculated on the Conservative Basis is above 101% for any three consecutive months.

To determine whether contributions are payable in January 2015, February 2015 and March 2015 the funding level for October, November and December 2014 will be required. The 31 October 2014 funding level is deemed to be above 101% on the Conservative Basis. The 30 November 2014 Plan funding level will be that used in relation to Project Cerberus to determine any underpin payment(s) due to the Plan but with any outstanding underpin payment(s) due included as Plan assets. From 31 December 2014 onwards the funding level will be calculated using actual asset data for the Plan.

All Employer contributions shall fall due to be paid not later than 19 days after the end of the calendar month to which they relate.

[1] as set out in the Statement of Funding Principles of the TRW Pension Scheme, dated 13 February 2013
[2] as set out in the Appendix of the letter 'TRW Pension Scheme - Project Cerberus' dated 15 July 2014
[3] the above Technical Provisions basis adjusted to incorporate a single discount rate of UK Government bonds plus 0.5% pa.
[4] assessed at the end of each month based on the monthly funding updates provided to the Trustee by the Scheme Actuary

The Employer shall also pay to the Scheme any additional employer contributions required from time-to-time on the advice of the Scheme Actuary in respect of augmentations or discretionary benefits, as required from time to time under the Plan's trust deed and rules.

Expenses, Levies and Fees

The Employer's contributions include all expenses, levies (including the Pension Protection Fund levies) and fees in connection with the Plan.

Prepared by the Trustee of the Plan

Print name	Neil Marchuk
	on behalf of TRW Pensions Trust Limited
Position	Chairman
Date	18 November 2014

Agreed by the Employer

Print name	Peter R Rapin
	on behalf of TRW Limited
Position	Director
Date	18 November 2014

APPENDIX

Statement from the Scheme Actuary regarding the interim schedule of contributions

Name of Scheme: The TRW Pension Plan (‘the Plan’)

Adequacy of rates of contributions

I confirm that the Trustees of the Plan have put in place the interim Schedule of Contributions to which this certificate is appended.

I certify that, in my opinion, the agreed contributions are adequate for the Plan to be able to meet its contracted-out liabilities and prescribed liabilities with a higher priority and any increases in those liabilities.

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 Plan’s liabilities by the purchase of annuities, if the Plan were to be wound up.

I also certify that the rates of contributions shown in the interim schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule.

Signature	
Date	18 November 2014
Name	R S Bowie
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	20 Waterloo Street, Glasgow, G2 6DB

Statement of Investment Principles

Introduction

This statement sets out the principles, which the Trustee of the TRW Pension Plan will follow in determining its investment policy for the purposes of the Plan. It has been prepared in accordance with the requirements of Section 35 of the *Pensions Act 1995 as amended* and the Occupational Pension Schemes (Investment) Regulations 2005 *as amended.* The statement is subject to periodic review by the Trustee, at least every three years and as soon as practicable following any significant changes in investment policy.

This revised statement was approved at a meeting of the Trustee Board held on 30 September 2016. The Principal Employer has been consulted. The investment principles set out in this statement will be reviewed periodically and revised as necessary. Prior to the preparation of this statement the Trustee has obtained and considered written advice from its appointed Investment Adviser, Hymans Robertson LLP, which is qualified to provide such advice.

Fund Managers

The Trustee does not take day to day investment decisions; the Board considers investment management to be a specialist activity that is most appropriately undertaken by professional managers. It has delegated responsibility for the selection and management of the Plan's assets to the following professional investment managers:

Liability Driven Investment Manager

- Legal & General Investment Management - equity option collars, interest rate and inflation hedging instruments and repurchase agreements.

Credit Investment Managers

- Legal & General Investment Management - synthetic credit and cash instruments.
- M&G Investment Management – asset backed securities and secured loans.
- Barings – global high yield credit.

Property Manager

- CBRE Global Investors – segregated UK property and indirect European property

Additional Voluntary Contribution (AVC) Managers

- Phoenix Life – Insured Additional Voluntary Contributions
- Clerical Medical – Insured Additional Voluntary Contributions
- Scottish Life – Insured Additional Voluntary Contributions
- Standard Life – Insured Additional Voluntary Contributions

All the above organisations are regulated by either or both of the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). They are all authorised under the Financial Services and Markets Act 2000 (as amended) to undertake investment business. The appointments are reviewed periodically.

The appointed investment managers are responsible for the day to day investment of their mandates (including the treatment of income) and are responsible for investing additional funds allocated to them or for disinvesting assets as required. In addition, they are responsible for maintaining suitably diversified portfolios.

The AVC managers are responsible for the investment of external AVC’s. These were the appointed managers of legacy pension arrangements.

Investment Adviser

The Trustee has appointed an Investment Adviser, Hymans Robertson LLP, to assist it in determining and reviewing its ongoing investment policy. The Investment Adviser provides routine advice on the suitability of the Trustee's investments relative to its liabilities, and also assists the Trustee in reviewing the performance of its investment managers. This is a separate appointment to that of Hymans Robertson LLP as actuaries to the Plan.

The Board has appointed an Investment Sub-Committee (ISC), which is chaired by the Trustee Secretary. The ISC comprises representatives from:

- The Trustee Board
- The Investment Adviser
- The investment managers
- The Company
- The Company's investment advisers

The role of the ISC is to conduct in-depth research on investment strategies and to advise the Trustee on both its investment objectives and the strategies to achieve them. In addition, the ISC may exercise discretion over investment decisions that have been delegated to it by the Trustee.

The Trustee has appointed Legal & General Assurance (Pensions Management) to provide quantitative analysis of the Plan's assets and liabilities. The analysis is used by the ISC to monitor the performance of the Trustee's investment strategy, model the effect of proposed investment strategies and highlight risks.

Investment objectives

The Trustee's investment objectives are:

- To retain sufficient long-term, risk controlled exposure to investment markets to help restore over time the Plan to a funding level of self-sufficiency.

- To achieve a rate of return from the assets of the Plan that is in excess of the movement in the Plan's liabilities by a combination of exposure to:

    - Equity risk
    - Credit risk
    - Interest rate and inflation risk
    - Alternative asset classes (e.g. property) risk
    - Illiquidity and other market risks

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet the cost of the Plan's benefits as set out in the Plan's Trust Deed and Rules.

- To reduce the level of investment risk over time in order to lock in improvements in the Plan's funding position and to limit the risk of the assets failing to meet the liabilities over the long term.

The kind and balance of investments

The Trustee, acting on the advice of its ISC, its Investment Adviser and the Plan's actuaries have put in place an investment structure whereby the Plan's liabilities determine the type of assets held by the Plan. This approach to investments is called 'liability driven investment' (LDI).

The central features of this strategy are as follows:

- To control the interest rate and inflation risk inherent in the Plan's liabilities by the implementation of swap contracts and repurchase agreements.

- To retain, as required, an exposure to equity and credit markets through a combination of physical assets and derivatives.

- The use of derivatives to create tailored strategies to limit the Plan's exposure to potential falls in equity markets whilst retaining sufficient exposure to growth assets in order to achieve self sufficiency funding over a reasonable timescale.

- The controlled use of derivatives to increase the yield on the Plan's physical assets by taking equity and credit risk.

- On an ongoing basis, approximately 50% of the Plan's physical assets are designed to support the LDI strategy, including:

    - Gilts
    - Index-linked Gilts
    - Repurchase agreements
    - Cash

- The remainder of the Plan's physical assets are a combination of:

    - Property
    - Asset backed securities
    - Secured loans
    - Global high yield credit

In addition, the Trustee holds some cash in a liquidity fund to meet ongoing benefit and expenditure payments from the Plan. This cash will be topped up from time to time, as required. The Trustee considers the investments to be suitable to the Plan's stated objectives.

Risk

The Board recognises that the funding position of the Plan will be improved by a combination of investment returns and support from the Company. It, therefore, continues to take investment risk, in order to target long term outperformance relative to its liabilities.

An outline of the Board's attitude to risk is as follows:

- It considers interest and inflation risks to be so significant it has introduced an LDI strategy to limit its exposure in these areas. The investment manager responsible for implementing the LDI strategy is Legal & General Investment Management.

- It has introduced equity collar strategies (limiting downside and upside) to protect the Plan against adverse equity movements, whilst maintaining exposure to equity outperformance that is sufficient to meet its stated objectives.

- The majority of LDI assets are selected by the LDI investment manager, based on its view of the credit risk and interest rate risk of the investment relative to the London interbank offered rate (LIBOR). The LDI investment manager is required to ensure suitable liquidity of assets for funding benefit payments and that there are sufficient assets, both in terms of liquidity and eligibility, to act as collateral for the Plan's derivatives obligations.

- The LDI assets have been so structured to manage counterparty risk to provide a level of protection against failure of any derivative counterparty. There are three main components to this counterparty risk protection:

    - Counterparties are limited to financial institutions on Legal & General Investment Management's approved panel.

- All derivatives are marked to market, with collateral posted on a daily basis.
- In order to manage the risk of any counterparty concentration, the underlying assets are structured to provide a measure of protection in the event of counterparty failure.
- The ISC regularly reviews the risks associated with posting collateral to counterparties with a view to limiting exposures to counterparties whose credit quality may be deteriorating.

- In order to further control risk the Trustee has imposed the following restrictions:

  - Stock Lending is only permitted in circumstances where the loan is fully collateralised and the collateral meets strict acceptability requirements.
  - Constraints are placed on the use of derivatives, which may not be used for speculative purposes.
  - Certain types of investment are not permitted. These include commodities, works of art and precious metals.

Expected Return on Investments

In the long term the LDI investment strategy is expected to deliver a return which either matches or exceeds the real rate of return assumed by the Plan's actuaries in assessing the funding of the Plan. The Trustee will monitor the returns of each fund manager and asset class against an appropriate benchmark. The individual benchmarks will be constructed using data provided by external index providers and will be independently verified by a recognised pension fund performance measurement company on behalf of the Trustee. The projected investment returns are relative to the appropriate index benchmark for each asset class. The projected returns and index benchmarks are as follows:

Manager/Asset class	**Index**	**Target return over the index (p.a.)**
Legal & General Investment Management		
LDI assets	LIBOR (3 month)	0%
CBRE Investors		
Property	Retail Prices Index	5%
M&G Investment Management		
Asset backed securities	LIBOR (3 month)	2.5%
Secured loans	LIBOR (3 month)	4%
Barings		
Global high yield credit	LIBOR (3 month)	5%

The target returns are goals and the investment managers do not guarantee they will be achieved.

Mandates to the Investment Managers

The Board has explicit written mandates with its investment managers. The managers are to invest the assets in accordance with the asset allocation benchmark and the Board's guidelines on risk control.

Investment Management Fees

The basis of fees agreed with Legal & General Investment Management in respect of the majority of the Plan assets is a flat fee adjusted in line with the UK Retail Prices Index plus a capped transaction fee.

The fee structure of the property investment manager is in two parts; a base management fee and a fee on the completion of each purchase or sale. This fee structure was chosen in order to compensate the manager appropriately in relation to the work undertaken on behalf of the Trustee.

The basis of fees agreed with the other investment managers is a percentage of the value of the portfolio controlled by the manager. This fee structure was chosen in order to compensate the manager appropriately in relation to the work undertaken on behalf of the Trustee.

The charging structures of the managers responsible for external AVC's are built into the historical group policy terms for each arrangement, and are reflected in the value of individual members' AVC accounts.

Realisation of Investments

Over 80% of the assets are directly or indirectly invested in securities traded on major recognised investment exchanges. These investments can therefore be realised quickly, if necessary, although there would be a risk of capital loss. The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet cash flow requirements, both for benefit payments and collateral calls, in the majority of foreseeable circumstances without realising the assets that cover derivatives. The Trustee's advisers monitor cash flow requirements explicitly using liquidity projections.

Statutory Funding Objective

In arriving at its investment principles account has been taken by the Trustee of the liabilities of the Plan in respect of pensioners and deferred pensioners together with the Plan's funding position. This has been done in relationship to the Plan's Statutory Funding Objective, which is that the Plan must have 'sufficient and appropriate' assets to cover the expected cost of providing members' past service benefits.

Details of the Plan's Statutory Funding Objective and its policy for securing that the objective will be met along with the Plan's funding method and actuarial assumptions will be contained in the Plan's *Statement of Funding Principles*. The Plan's first *Statement of Funding Principles* will be agreed as part of its first triennial actuarial valuation on 31 March 2015 and will be available from the Trustee Secretary or via the Plan's website www.trwpensions.co.uk.

Responsible Ownership

The Trustee considers corporate, environmental and social responsibility issues as far as they impact the performance of the assets of the Plan. The policies of the Trustee's investment managers are in line with the Trustee's policy. Documents detailing the policies of all the investment managers appointed by the Trustee in respect of corporate, environmental and social responsibility are available on the managers' websites.

The Plan no longer has any significant investments in company shares. In any event, the Trustee has delegated the exercise of any voting rights to the Plan's investment managers on the basis that voting rights should be exercised with the aim of preserving and enhancing long-term shareholder value. The investment managers provide reports on any votes cast to the Trustee on a quarterly basis.

Custodian

The segregated assets of the Plan are held by the Trustee's appointed custodian, Bank of New York Mellon, and are under the control of the Trustee. The appointment is reviewed periodically.

Report on Actuarial Liabilities

Report on Actuarial Liabilities (forming part of the Trustee's report)

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

The most recent full actuarial valuation of the Plan was carried out as at 31 March 2015. This showed that on that date:

The value of the Technical Provisions was: £1,239 million
The value of the assets at that date was: £1,400 million

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

Method

The actuarial method to be used in the calculation of the Technical Provisions is the Projected Unit Method.

Significant Actuarial Assumptions

Discount rate before retirement:	Dependent on term and assumed to be 1.2% p.a. above the market implied gilt yield curve.
Discount rate after retirement:	Dependent on term and assumed to be 1.2% p.a. above the market implied gilt yield curve.
Price inflation (Retail Price Inflation):	Market expectation of future inflation dependent on term as measured by the market implied gilt based inflation curve.
Price inflation (Consumer Price Inflation):	1.0% p.a. lower than the market implied RPI assumption at all terms.
Pension increases:	Inflation linked increases are assumed to be in line with price inflation adjusted to take account of any maximum or minimum increase that may apply.
Deferred revaluation:	Inflation linked increases are assumed to be in line with the relevant price inflation assumption capped at any maximum or minimum increase that may apply. Fixed increases are assumed to increase at the appropriate fixed rate.
Mortality:	Post-retirement mortality base tables: A suite of bespoke assumptions which reflect the characteristics of the Plan membership. The "VitaCurves" adopted will be based on pooled experience from occupational pension schemes as collated by Club Vita. They will make allowance for observed variations in mortality according to age, gender, reason for retirement (illness or normal health), pension amount, salary and postcode based lifestyle group. Pre-retirement mortality base tables: AMC00 / AFC00 Future improvements in longevity will be assumed to be in line with the CMI model, with a long term rate of improvement of 1.5% for males and 1.25% for females.

Summary of Funding Statement

Introduction

This is a summary of the TRW Pension Plan's funding position. The Trustee has a statutory duty to provide this statement to members and it is based on a formal actuarial valuation carried out as at 31 March 2015.

The statutory funding valuation of the TRW Pension Plan

	31 March 2015	31 March 2012
Assets	£1,400 million	£3,485 million
Amount needed to provide benefits	£1,239 million	£3,614 million
Surplus/(Shortfall)	£162 million	(£130 million)
Funding level	113%	96%

Recovery Plan

The formal actuarial valuation carried out as at 31 March 2015 has confirmed the Plan has a surplus. A Recovery Plan is therefore not required.

Change in the funding position since 31 March 2012

The TRW Pension Plan was established on 6 August 2014 and received a bulk transfer of assets and liabilities from the TRW Pension Scheme on 10 December 2014.

The 31 March 2015 actuarial valuation is the first statutory valuation of the TRW Pension Plan. The TRW Pension Scheme last had a formal actuarial valuation on 31 March 2012. Since this valuation the funding level is estimated to have improved from 96% to 113%, with a surplus of £162 million. The main reason for the change over the period has been the Scheme and Plan assets outperforming the amount required to provide benefits and Company contributions of £190.1 million.

The amount of assets and the amount required to provide benefits had reduced significantly since the 31 March 2012 valuation due to the majority of members of the Scheme being provided with a range of offers in order to provide them with choice on how they receive their benefits from the Scheme. This resulted in approximately 14,000 members being secured outside of the Scheme. Subsequently, the Trustee and Company decided to secure the benefits of over 16,000 of the remaining pensioners outside of the Scheme with Legal & General Assurance Society. The funding required for this was paid for by a special contribution from the Company of £107.6 million, which is included in the Company contribution value above. This special contribution ensured that the funding position for those members transferred to the TRW Pension Plan had not been adversely affected by the above activities.

Payments to the Company

There has not been any payment to the Company out of Plan funds in the previous twelve months, and no such payments are anticipated. No such payment is possible unless a plan's funding position is sufficiently strong to secure all benefits with insurance policies. As at 31 March 2015 the Plan had a funding shortfall on this basis of approximately £850 million.

Your questions answered:

How does the Scheme operate?

The TRW Pension Plan is a closed final salary pension plan. With this type of plan, when required, the Company pays contributions in accordance with any Recovery Plan and its Schedule of Contributions. These contributions are then invested in funds that are expected to provide income, and to increase in value. The combination of contributions, investment income and growth is then used to pay members' pensions. The money to pay for members' pensions is held in a common fund. It is not held in separate individual funds for each member.

How is the amount of funding that the Scheme needs worked out?

Every three years the Plan actuary carries out a financial review of the Plan – this is called an actuarial valuation. The actuary estimates the amount of each member's future pension payments and how long each pension is likely to be paid. These future payments are then added up and compared with the value of the fund and its expected future investment returns. The result indicates how much money is needed to pay members' benefits.

Using this information, along with the advice provided by the Plan actuary, the Trustee comes to an agreement with the Company on its future rate of contributions.

Why is the Company's support important?

The Trustee's objective is to have enough money in the Plan to pay pensions now and in the future. However, success for the Plan relies on the Company's continuing support as more money may be needed in the Plan if:

- Due to the funding level fluctuating there is a funding shortfall.
- The target funding level did not turn out to be enough.

What would happen if the Company could not continue to support the Plan?

The current financial position assumes that the Plan will continue, with the Company's support. In the event that the Plan was to terminate (this is called winding up), the Plan actuary has estimated that, as at 31 March 2015, the Plan would have needed £2,250 million to ensure that all members' benefits could be paid in full. This suggested a shortfall of around £850 million compared with the amount of money actually in the Plan at that date.

The reason this amount differs from the ongoing funding valuation, is because if the Plan winds up it is assumed that the money will be used to buy a policy from an insurance company that will then be used to pay the pensions promised. Such insurance policies are very expensive.

Would I still receive my pension if the Company did not or could not support the Plan?

Whilst the Plan remains ongoing, benefits will continue to be paid in full. If, however, the Company could not support the Plan, and as a result the Plan were to be wound up, you might not get the full amount of pension you have built up, even if the Plan is fully funded on an ongoing actuarial basis.

If the Plan were to start to wind up, the Company is required to pay enough into the Plan to enable members' benefits to be completely secured with an insurance company. It may be, however, that the Company would not be able to pay this full amount and became insolvent. If this happened the *Pension Protection Fund* might be able to take over the Plan and pay compensation to members.

What is the Pension Protection Fund?

The Pension Protection Fund (PPF) became operational on 6 April 2005. The purpose of the PPF is to ensure that those who are members of plans similar to the TRW Pension Plan receive pensions even if their company goes out of business. The PPF is not intended to replicate a member's pension, but ensures that if a Plan gets into difficulties members will receive the majority of their pension. This is, currently, around 90% of the pension earned for most members who have not reached retirement age and 100% for those over retirement age. The actual amount a member receives will depend on when they retire and how much benefit they have earned. In addition, benefits will increase on a basis set down by the PPF which may be less than those provided by the Plan.

Further information and guidance is available on the Pension Protection Fund's website at www.pensionprotectionfund.org.uk. Alternatively you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

Why does the funding plan not call for full solvency at all times?

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and will include a margin for profits in what they charge. The Plan's funding plan assumes that the Plan will continue to be run as a non-profit entity and that the Company will continue in business and support the Plan.

How are the Plan's assets invested?

The Plan's investment managers invest the Plan's assets with the aim of managing key financial risks and to ensure the Plan has sufficient funds to meet its pension liabilities as they fall due. The Plan's investment strategy is to target returns necessary to provide long term self sufficiency of funding, with minimal risk. The Trustee's policy as at 31 March 2015 was structured around the following risks:

Equity risk: Exposing the Plan to potential returns from global stock markets to help close the Plan's solvency funding deficit, but with protection against dramatic stock market falls and volatility. This is achieved by derivative contracts.

Credit risk: Exposing the Plan to potential returns from securities issued by global corporate entities to provide an extra return over the rate of interest available from securities issued by the UK Government (i.e. Gilts). This is achieved by physical holdings in corporate bonds, asset backed securities (e.g. mortgage backed securities) and by derivative contracts.

Inflation risk: Ensuring a large proportion of the Plan's investments will increase and decrease in value in line with inflation, in order to match the pension liabilities due from the Plan. This is achieved by holding physical Index Linked Government bonds, and by derivative contracts.

Interest rate risk: Ensuring a large proportion of the Plan's investments will increase and decrease in value in line with long term interest rates, in order to match the pension liabilities due from the Plan. This is achieved by holding physical Government and corporate bonds, and by derivative contracts.

Property risk: Exposing the Plan to potential returns from property markets to help close the Plan's solvency funding deficit. This is achieved by physical holdings in commercial property.

Important

If you are thinking of leaving the Plan for any reason, you should consult a professional advisor, such as an independent financial advisor (IFA), before taking any action. For a list of IFAs local to you go to www.unbiased.co.uk.

Further information

The following documents are available on the Plan's website or upon request to Capita Employee Benefits at the address shown on page 2: Trustee Report and Accounts; Statement of Investment Principles; Statement of Funding Principles; Schedule of Contributions; and Actuarial Valuation Report (available upon request at a cost of £5).