



Atlas Master Trust

Scheme Registration Number: 12012018

Trustee's Annual Report and Financial Statements
Ended 31 March 2019

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Trustee Board and Trust Advisers

Trustee:	Atlas Master Trust Trustee Limited
Trustee Directors:	Alan Whalley Steve Delo (representing PAN Governance LLP) Penny Green (representing BESTrustees PLC)
Independent Chair of the Investment Sub Committee:	Paul Trickett
Executive Team:	Andy Dickson (Head of Business Development (joined September 2018)) Paul McBride (Head of Risk and Governance) Derek Meldrum (Business Development Manager) (left February 2019) Anish Rav (Head of Clients, Proposition and Strategy) Gary Smith (Atlas CEO) Richard Solomon (Head of Operations) Neil Taylor (Senior Governance Manager and Secretary to the Trustee) Roz Watson (Head of Engagement) (joined March 2019)
Independent Auditor:	Crowe U.K. LLP
Banker:	National Westminster Bank PLC
Investment Managers:	Zurich Assurance Ltd (until 30 June 2019) Scottish Widows Limited (from 1 July 2019)
Administrator:	Capita Employee Benefits Limited (T/A Capita Employee Solutions)
Investment Consultants:	Capita Employee Benefits (Consulting) Limited (T/A Capita Employee Solutions) Hymans Robertson LLP Mercers (CGMPS Section Only) (from October 2018)
Legal Adviser:	Pinsent Masons LLP

Chairman's Report

Introduction

We are delighted to present our Trustee Report for the Atlas Master Trust ("Atlas") for the period 1 April 2018 to 31 March 2019.

This has been yet another extremely busy period for Atlas and for the Master Trust industry generally. In the period between October 2018 and April 2019, all Master Trusts have been required to apply to The Pensions Regulator (TPR) to become an authorised Master Trust. Failure to apply meant that the Master Trust was required to leave the market and transfer members' pension pots to another Master Trust provider. Those that have applied, but which fail to meet the stringent standards set by TPR and legislation (see below), will also be required to exit the market.

The criteria that must be met are:

All those who have responsibility for Atlas are 'Fit and Proper' persons. This includes each of us trustees, the Directors of Capita Employee Benefits Limited (CEBL - the company that is responsible for financing Atlas if our costs exceed its income) and the people responsible for setting Atlas' commercial direction. 'Fit and Proper' means that everyone is of good character and good financial standing, with the requisite skills, knowledge and competence to perform their roles to the required standards.

Atlas is financially stable, supported by a financially credible Funder (CEBL), and able to withstand the financial impacts of all reasonably foreseeable events.

That we have in place Systems and Processes that ensure, among other things;

1. Robust administration system processes for receiving and investing contributions and making payments within prescribed time limits.
2. Robust administration processes to ensure accurate data, including processes to protect those data from corruption and cyber-attack.
3. Accurate record-keeping and regular data reconciliations.
4. Processes to ensure that members receive the contributions due to them, when they fall due and that they are invested promptly to maximise investment gain.
5. That we use appropriate due diligence to appoint, and then manage, our various service providers.
6. That we have appropriate levels of risk management.

We are delighted to report that Atlas became an authorised Master Trust from August 2019.

There's more about this new regulatory regime in our Governance Statement, starting on page 18.

As a consequence of the authorisation process, there has been little market activity (employers moving their pension schemes to Master Trusts) throughout this period. Most employers are - very sensibly - waiting for the dust to settle before deciding which Master Trust to choose from those that will become authorised - no one wants to risk moving to a Master Trust that fails the authorisation process. Despite this, Atlas is in a healthy financial position, among a minority of Master Trusts which are financially self-supporting.

Another significant activity for us over the reporting period was the continued evolution of our default investment strategy.

Chairman's Report (continued)

As we described in last year's report, over the course of 2017 we undertook a fundamental review of our default investment strategy. The default investment strategy is the investment journey that Atlas members automatically join, and stay in, until and unless they choose to invest in one (or more) of the alternative investment options that Atlas offers. Our 2017 review led to a new investment strategy – managed on our behalf by Schroders – which adopts an active, multi asset management style.

During 2018, we embarked on a project to see how we could improve our Environmental, Social and Governance (ESG) footprint. We did this for three reasons:

The first reason came about as a consequence of the UK Government's drive to see the UK's financial system become more closely aligned to environmental concerns. This drive has resulted in a reappraisal of an historic trustee obligation to prioritise investment returns over other, 'softer' investment considerations. This obligation has, in the past, led to what can best be described as a moral dilemma; if investing in certain industries and companies produces better investment returns, irrespective of whether there is a cost to the environment or society, how can trustees justify excluding those industries and companies from an investment portfolio if the result is a poorer member outcome? From this year onwards, however, trustees are not just encouraged but are compelled by law to take into account other investment considerations such as ESG.

Second was for ethical reasons, and we make no apologies for this. It isn't possible to pretend that investment in the global economy does not contribute to the environmental threats that our planet faces - global warming, deforestation and desertification, pollution, species extinction, extreme weather patterns and rapid exhaustion of natural resources. It also isn't right to ignore the fact that some industries in which we invest can damage society - the tobacco and gaming industries to name just two. It isn't sensible to expect poorly governed companies to acknowledge, let alone address, the damage that their actions and products may do to the environment or society;

The third reason was financial. As trustees, our primary duty is to seek the best possible returns on investments for our members, within reasonable risk parameters. This duty has historically led to a dichotomy; if investing in certain industries and companies produces better investment returns, irrespective of whether there is a cost to the environment or society, how can we justify excluding those industries and companies from our portfolio if the outcome of that decision is a poorer member outcome? Fortunately, things have become more sophisticated in recent years and we no longer need to make such a binary choice.

Over the course of 2018 and the early part of 2019, we engaged with the team at Schroders to discuss how we can better integrate ESG into our core investment strategy. As a consequence of these discussions, and the recommendation from our Investment Sub Committee chaired by Paul Trickett, the Trustee Board elected to switch the equity components of Atlas' Multi Asset Portfolios into the Schroders' Sustainable Multi Factor Equity (SMFE) Fund. This switch was completed in April 2019. We genuinely believe that this will enhance long term returns to members and significantly improve Atlas' environmental footprint – something that my Board and I are passionate about.

There is more on this enhanced investment strategy in the Governance Statement starting on page 18.

Chairman's Report (continued)

Members and Assets

At 31 March 2019, Atlas had 100,449 members (2018: 89,542), contribution income of £112.519 million (2018: £74.494 million) and assets of £993.407 million (2018: £822.263 million).

Service providers

The Trustee has a number of service providers, each under a formal service agreement:

Administrator	Capita Employee Solutions
Investment Advisors	Capita Employee Solutions, Hymans Robertson LLP and Mercers (CGMPS Section Only)
Investment Platform Provider	Scottish Widows Limited
Legal Advisor	Pinsent Masons LLP
Statutory and Assurance auditor	Crowe U.K. LLP

As Trustee, we have a responsibility to assess the performance of each of our service providers on a regular basis, and we have a legal duty to change them or to force improvement where service levels fall below the high standards we set. Performance reviews of all our service providers are scheduled into our Annual Business Plan. Following the review in 2018, we agreed that each of our service providers had discharged their responsibilities as well as we would hope and expect, and no changes were felt to be necessary.

We also review our own competence and skills, and those of the Atlas Executive Team which supports us, on a regular basis. You'll find more information on this review process in our Governance Statement on page 18.

Each year, we are required by law to assess the value that Atlas offers to its members – Our 'Value for Members' assessment. Focussing on principles of good value is something we all feel very passionate about. There is little doubt that this legal obligation is benefitting pension scheme members throughout the UK, so much so that we hope that Government will extend this obligation to other financial service and product providers in the future. After all, why stop at pensions? Our assessment of Value for Members starts on page 32.

My closing remark to this introduction, is however, the same request as in previous years.

We want to stay in touch with you throughout your Atlas journey. We want to do this in order to make Atlas work better for you, by helping us to communicate with you in the most timely, efficient and reliable way.

Statistics show that people today are likely to change their physical address far more frequently than their email address(es). So, if you haven't done so, please go online at <https://atlas.orbitbenefits.com> to let us have the best email address to contact you on in the future. You may even want to consider creating a new email address specifically for your pensions that you can also pass on to any past or future pension providers, to help you keep track of all your pensions in one easily accessible place. In this way you can help us to help you get the most out of your Atlas membership.



Alan Whalley

Chairman of the Trustee

Date: 8 October 2019

Trustee Report

The Trustee of Atlas has pleasure in presenting its report together with the investment report, summary of contributions, and financial statements for the year ended 31 March 2019.

Trust Management

The Trust

Atlas is a multi-employer Defined Contribution occupational pension scheme and is governed by a Trust Deed which ensures that the assets of Atlas are segregated from the finances of the Establishing Employer and each principal and/or participating Employer.

Atlas is governed by a Trust Deed and Rules dated 11 June 2015 as amended from time to time.

Atlas was established by Capita Employee Benefits Limited ("the Founder of the Scheme") and is also its Funder (the firm responsible for Atlas' financial sustainability and the firm which is entitled to receive any profits from it). As a multi-employer occupational pension scheme, Atlas also has a number of non-associated participating and subsidiary Employers.

Atlas is also required to comply with other legislative requirements, such as taxation and social security which may override the provisions of the Trust Deed from time to time.

Atlas is a Registered Pension Scheme under Chapter 4 of the Finance Act.

Trustee of the Trust

The powers of appointment and removal of the Trustee Directors are vested in Capita. A protocol agreement exists between Capita and the Trustee that sets out each party's expectation with regards to future appointments and removal.

As Atlas is a relevant centralised scheme where membership is open to more than one employer, Atlas was exempt from the normal trustee requirements for member nominated directors provided it had an independent Trustee.

Trustee Meetings

The Trustee Directors met 7 times during the year ended 31 March 2019.

Trustee and Advisers

The Trustee is assisted by various professional advisers in the operation of Atlas. All advisers who have acted on behalf of, or have been retained, by the Trustee during the year are detailed on page 2 of this Report.

In accordance with the Pensions Act 1995, there are written agreements in place between the Trustee and each of the professional advisers.

Financial Development of Atlas

The Financial Statements for the year ended 31 March 2019 are set out on pages 46 to 57. The fund at 31 March 2019 stood at £993.407 million (2018: £822.263 million).

The Financial Statements following this Report have been prepared and audited in accordance with Regulations made under Section 41(1) and (6) of the Pensions Act 1995.

Contributions

Total contributions received in the year to 31 March 2019 amounted to £112.519 million (2018: £74.494 million).

Trustee Report (continued)

Atlas Administration Expenses

All Atlas administration expenses have been met by Capita for the year ended 31 March 2019, except for the management charge which is payable to Capita.

Transfer Values

Transfer values are equal to the value of the member's Personal Account at the time of transfer.

Further Information

Members are entitled to inspect copies of documents giving information about Atlas. In some circumstances, copies of the documents can be provided, but a charge to cover the costs of postage and copying may be made for some of them.

Any enquiries or complaints about Atlas, including requests from individuals for information about their benefits or Atlas documentation, should be sent to:

Atlas Master Trust
c/o Capita Employee Solutions
PO Box 555
Stead House
Darlington
DL1 9YT

Email: Atlas@Capita.co.uk

Internal Dispute Resolution Procedure

The Trustee has prepared an Internal Dispute Resolution Procedure which is available to all Atlas members.

Trustee Report (continued)

Membership

The table below details the membership of Atlas for the year ended 31 March 2019.

	2019	2018
Active members in service	45,059	2,777
New entrants	13,956	54,384
From Deferred	8	-
Late adjustment**	(7,397)	(1,334)
Joined in error*	(92)	(470)
Refunds	(5)	(187)
Deferred members	(15,262)	(10,053)
Commutation	(7)	-
Transfers	(5)	(6)
Death	(35)	(43)
Retirement	(4)	(9)
At end of Scheme Year	36,216	45,059
Preserved members	44,483	24,738
Adjustments**	7,397	10,565
At start of Scheme year	51,880	35,303
From active	(8)	(11)
New entrants	15,262	10,065
Deaths	(32)	(13)
Commutations	(503)	(169)
Leavers	-	(39)
Transfers out	(2,245)	(646)
Retirement	(107)	-
Joined in error*	(14)	(7)
At end of Scheme Year	64,233	44,483
Total membership at end of Scheme Year	100,449	89,542

* The members recorded as joined in error are either where duplicate member data has been received on the joiner templates from the clients, or where records are created from the joiner data and then we are notified shortly after that the member has opted out.

**The late adjustments are manual interventions applied through a job request with I.T. to update the member status' as the interface wasn't processing this requirement, along with a scheme reconciliation for the Annual Benefit Statements.

Trustee Report (continued)

Summary of Contributions Payable in respect of Atlas Year Ended 31 March 2019

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 Atlas under the rules for fourteen participating employers in respect of the year ended 31 March 2019.

£'000

Contributions payable

Employer

Normal contributions	54,539
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Salary sacrifice	35,709
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Employee normal contributions	8,148
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Contributions required by the Payment Schedules

98,396

Other contributions payable

Additional contributions	4,766
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Employee AVCs	7,781
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Augmentations	1,576
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Contributions per the financial statements

112,519

Contributions are payable by each participating employer in accordance with the Payment Schedules and Deeds of Participation which set out the earnings components on which contributions are based, and the different contributions rates payable by both the members and the employer.

It is the responsibility of the employers to ensure that the correct contributions are paid over to the Master Trust within the timescales agreed between the Trustee and the Employers. Whilst the Trustee monitors that contributions are received from each participating employer and allocated to members' accounts, the Trustee does not have access to the payroll records of the participating employers, and is therefore unable to confirm with certainty that amounts have been paid in accordance with the required Payment Schedules for the Master Trust as applicable for each participating employer.

Trustee Report (continued)

Investment Matters

Overview

Atlas has two primary types of participant.

The first type uses only the 'off-the-shelf' investment options chosen by the Trustee. The second type uses a bespoke fund range, approved by the Trustee but designed with a specific membership demographic in mind. Both off-the-shelf and bespoke investment options are covered by the Trustee's Statement of Investment Principles ("SIP") – see below.

For both off-the-shelf and bespoke memberships the Trustee's objective is to make available an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and their employers, will provide a retirement fund (or 'pot') with which the members secure a retirement income. The SIP outlines the investment objectives and strategy for the assets of Atlas.

The investment funds offered to members are white label funds provided by Scottish Widows Ltd ("Scottish Widows"). These are funds specifically created for Atlas which are invested in other funds available through Scottish Widows' investment platform.

As reported in last year's accounts Zurich was bought by Lloyds Banking Group in 2018. The formal transfer of the business to Scottish Widows, a subsidiary of Lloyds Banking Group, was completed on 1 July 2019. There were no operational or functional changes as a consequence of this acquisition.

The Trustee, with the assistance of its Investment Sub Committee and appointed investment advisers, determines the underlying investment strategy for Atlas and sets out the broad policy to be adopted by each of the appointed fund managers, who then make the day-to-day decisions about the management of the assets.

The fund managers and mandates of the underlying funds are as follows:

Underlying Fund Manager	Asset Class Mandate
Bank of Montreal Global Asset Management	Ethical fund
BlackRock Investment Management (UK) Ltd	Money market fund
HSBC Asset Management (UK) Ltd	Shariah compliant fund
Lazard Asset Management Ltd	Active emerging markets equity fund
Legal & General Investment Management Limited	Passive and multi-asset growth funds
M&G Investments Ltd	Active corporate bonds fund
Schroder Investment Management Limited	Multi asset growth and decumulation funds
Standard Life Investments Limited (Until 10 February 2019) and then Nordea Asset Management and Invesco Asset Management Limited	Multi asset growth fund
Threadneedle Asset Management	Property fund

Trustee Report (continued)

Investment Matters (continued)

Investment Strategy

The Trustee makes available a range of lifestyle strategies. The overall aim of lifestyle strategies is to deliver a level of return consistent with the level of risk taken over the members' lifetime. The strategies encompass changing risk profiles over time and then further changes in line with the way members may take their benefits.

During 2018, the Trustee reviewed the default arrangements with a view to improving Atlas' Environmental, Social and Governance (ESG) footprint. The objectives of the review were threefold.

- The first reason came about as a consequence of the UK Government's drive to see the UK's financial system become more closely aligned to environmental concerns. This drive has resulted in a reappraisal of an historic trustee obligation to prioritise investment returns over other, 'softer' investment considerations. This obligation has, in the past, led to what can best be described as a moral dilemma; if investing in certain industries and companies produces better investment returns, irrespective of whether there is a cost to the environment or society, how can trustees justify excluding those industries and companies from an investment portfolio if the result is a poorer member outcome? From this year onwards, however, trustees are not just encouraged but are compelled by law to take into account other investment considerations such as ESG.
- Second was for ethical reasons. The Trustee recognises that its investment strategies have far reaching consequences. It isn't possible to pretend that investment in the global economy does not contribute to the environmental threats that the planet faces - global warming, deforestation and desertification, pollution, species extinction, extreme weather patterns and rapid exhaustion of natural resources. The Trustee also recognises that some industries can damage society, for example the tobacco, arms and gaming industries. In the Trustee's view it isn't sensible to expect poorly governed companies to acknowledge, let alone address, the damage that their actions and products may do to the environment or society.
- The third reason was financial. Trustees' primary duty is to seek the best possible returns on investments for members, within reasonable risk parameters. In the past, it has been difficult to align this duty with investing in accordance with ESG principles. In recent times, however, there is a growing recognition that companies and industries that are better stewards of the environment and societies in which they operate are likely to be better supported by customers, and have more demand from investors, than companies which are poor stewards. Supporting those companies that demonstrate the best behaviours and governance can therefore be expected to lead to improved longer-term investment returns.

Over the course of 2018 and early part of 2019, the Trustee engaged with the team at Schroders and as a consequence of those discussions elected to switch the equity components of Atlas' Multi Asset Portfolios into the Schroders' Sustainable Multi Factor Equity (SMFE) Fund. This switch was completed in April 2019.

During the accounting period, the Trustee and Investment Sub-Committee undertook a review of the Multi Asset growth fund and with support from its investment advisors, Mercers, resulting in Standard Life Investments Limited being replaced by Nordea Asset Management and Invesco

Trustee Report (continued)

Investment Matters (continued)

Investment Strategy (continued)

Asset Management Limited who manage the fund in equal shares. Assets were transferred from Standard Life to the two new managers on 11th February 2019.

There is more detail about this change in the Governance Statement starting on page 18.

The investment strategy is implemented exclusively through Scottish Widows. The Trustee has taken into account members' investment objectives which have determined the level of investment risks, including credit risk and market risk members are exposed to through both the default strategy and self-select options. The investment risk that members are exposed to depends on their options selected and number of years to retirement (if they are in a default or lifestyle strategy). The SIP outlines the investment objectives and strategy for Atlas assets; this has been updated to reflect the Trustee's Environmental, social and Governance beliefs and policy.

The Trustee monitors the underlying funds by quarterly performance monitoring reports of the underlying managers, provided by Scottish Widows and separately by the Trustee's investment advisers.

Investment Manager

The Trustee has delegated the day-to-day management of investments to its appointed platform provider Scottish Widows and the underlying fund managers appointed by the Trustee. A written agreement between the Trustee and Scottish Widows sets out the terms on which Scottish Widows will act. The underlying fund managers have a direct relationship with Scottish Widows and only an indirect relationship with the Trustee.

The manager's duties include the consideration of social, environmental or ethical issues in the selection, retention and realisation of investments as well as voting and corporate governance in relation to Atlas's assets. The Trustee's investment adviser monitors the ESG credentials of all fund managers on their recommended panel. As noted above, the Trustee has recently made changes to Atlas' default investments which have significantly enhanced Atlas' ESG footprint. It intends to further develop its ESG credentials and strategies over time.

Investment Principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a SIP which includes the Trustee's policy relating to ethical investment and the exercise of the rights attaching to investments. Any member may request a copy. The SIP may change from time to time as deemed appropriate or necessary by the Trustee and/or according to advice received from the investment manager or consultants. The SIP can be found at:

<http://www.atlasmastertrust.co.uk/what-is-atlas/atlas-governance>.

Departures from Investment Principles

To the best of its knowledge, the Trustee can report that there has not been any departure from the SIP by Atlas's underlying investment managers during the year ended 31 March 2019.

Custodial Arrangements

As Scottish Widows holds units in the underlying funds, as opposed to holding the actual assets, they do not appoint their own custodians. The appointment and monitoring of the custodian function for the pooled funds' underlying assets is the responsibility of the funds' governing bodies and/or investment managers. The custodians are responsible for the safekeeping of the documents relating to the ownership of the Atlas's investments.

Trustee Report (continued)

Investment Matters (continued)

Employer-related Investments

The Trustee reviews its allocation to employer-related investments on an on-going basis and is satisfied that the proportion of Atlas's assets in employer-related investments does not exceed 5% of the market value of the total assets as at 31 March 2019, and Atlas therefore complies with legislative requirements. This will continue to be monitored going forward.

Atlas has no other employer related investments.

Review of Investment Performance

The following table shows the investment performance of the funds offered to Atlas members for the investment of contributions. Performance is measured from Atlas' inception date on 27 July 2015 (or where a fund has been introduced subsequently, from the date that fund was introduced) to the Atlas year end, 31 March 2019. All performance figures are gross of fees and are for series 1 which is the earliest launched of Atlas funds. The gross figures were calculated by using Atlas S1 fund series and adding back the fees for that series (and where relevant on a pro rata basis). The methodology is therefore suitable for monitoring the performance of each series.

Table 1 – Fund Performance to 31 March 2019

Fund / Benchmark	3 months (%)	1 year (%)	3 years (annualised) (%)	Since Inception 27/07/15 / Launch (%)
Atlas Active Corporate Bond Fund	4.4	4.6	6.1	23.4
<i>Benchmark – iBoxx Sterling Non-Gilts All Maturities</i>	3.7	2.4	4.5	18.4
Atlas Active Emerging Markets Equity Fund	4.7	-5.9	12.6	44.3
<i>Benchmark - MSCI EM (Emerging Markets) NR GBP</i>	7.4	-0.2	15.5	41.7
Atlas Active Multi Asset Fund	4.6	-0.7	4.5	9.9
<i>Benchmark - UK Consumer Price Index +4%</i>	0.9	5.0	6.8	23.5
Atlas Asia Pacific (ex Japan) Equity Tracker Fund	7.24	4.4	13.4	53.6
<i>Benchmark - FTSE Developed Asia Pacific ex Japan Index</i>	7.14	4.4	13.7	56.5
Atlas Cash Fund	0.3	0.9	0.6	2.1
<i>Benchmark – LIBD GBR 1 Week</i>	0.0	0.2	0.3	1.2
Atlas Corporate Bond Index Tracker Fund	4.8	4.6	4.8	18.2
<i>Benchmark - iBoxx Sterling Non-Gilts Index</i>	4.14	3.8	5.0	18.4
Atlas Emerging Markets Index Tracker Fund	7.0	0.9	14.1	48.7
<i>Benchmark - FTSE Emerging Index</i>	7.0	1.4	14.4	53.2
Atlas Ethical Fund	8.1	6.8	10.9	33.8
<i>Benchmark - FTSE All Share Index</i>	9.4	6.4	10.3	28.7
Atlas Europe (ex UK) Equity Index Tracker Fund	7.24	2.1	10.8	32.3
<i>Benchmark – FTSE Developed Europe ex UK Index</i>	7.4	2.3	11.1	35.9
Atlas Flexible Access Retirement Fund	4.2	2.8	2.9	7.4
<i>Benchmark - Consumer Price Index +2%</i>	0.4	3.9	4.7	15.1
Atlas Flexible Pre-Retirement Fund	6.4	5.5	8.0	27.6
<i>Benchmark - Composite Index (Equities, Bonds inc Gilts, CPI+4%)</i>	5.69	6.3	8.9	31.9
Atlas Global Equity Index Tracker Fund	8.5	5.9	11.9	38.0
<i>Benchmark - Composite of equity indices</i>	8.5	6.3	12.1	43.3
Atlas Inflation-Linked Annuity Target Fund	6.6	6.4	7.7	27.8
<i>Benchmark – Composite of gilts and corporate bonds</i>	5.7	6.1	7.9	N/A
Atlas Japan Equity Index Tracker Fund	4.1	-0.4	12.1	37.5

Trustee Report (continued)

Investment Matters (continued)

Review of Investment Performance (continued)

Table 1 (continued)

Benchmark - FTSE Japan Index	4.3	-0.4	12.4	39.1
Atlas Level Annuity Target Fund	6.0	5.2	5.9	24.0
Benchmark - Composite of gilts and corporate bonds	5.5	4.9	6.2	N/A
Atlas Multi Asset Absolute Return Fund	3.6	0.5	1.0	-0.6
Benchmark - LIBOR (6m) +5%	1.4	0.1	6.6	22.7
Atlas Multi Asset Portfolio 1	7.8	3.1	9.5	30.1
Benchmark - Composite Index (Equities and Bonds)	9.2	6.9	10.3	36.3
Atlas Multi Asset Portfolio 2	6.6	3.0	9.4	32.0
Benchmark - Composite Index (Equities, Bonds inc Gilts)	7.7	6.14	11.1	34.9
Atlas Multi Asset Portfolio 3	5.4	3.0	8.7	30.9
Benchmark - Composite Index (Equities, Bonds inc Gilts)	6.2	5.3	10.5	32.3
Atlas North America Equity Index Tracker Fund	11.1	17.9	16.6	70.6
Benchmark - FTSE World North America Index	11.1	18.0	17.0	74.7
Atlas Over 15 Years Gilts Index Tracker Fund	6.1	5.0	6.4	30.5
Benchmark - FTSE British Govt Over 15 years Index	6.14	5.1	6.7	30.6
Atlas Over 5 Years Index-Linked Gilts Tracker Fund	5.8	7.1	9.5	34.4
Benchmark - FTSE Inflation-Linked Gilt Over 5 Year Index	5.7	6.5	9.8	34.3
Atlas Passive Multi Asset Fund	6.2	6.5	9.2	35.1
Benchmark - LIBOR (3m) +3.5%	1.0	4.3	4.4	15.8
Atlas Retirement Income Drawdown Fund	5.8	5.9	7.2	26.7
Benchmark - Bank Of England Official Bank Rate Plus 3.5%	1.0	4.3	4.4	15.4
Atlas Shariah Compliant Fund	10.14	18.5	16.4	69.9
Benchmark - DJ ISLAMIC TITANS 100 - Jan 99	11.1	18.8	16.9	74.4
Atlas UK Equity Index Tracker Fund	9.24	5.3	9.6	26.4
Benchmark - FTSE All Share Index	9.14	6.0	9.7	28.7
Atlas World (ex UK) Equity Index Tracker Fund	9.1	11.4	14.9	58.1
Benchmark - FTSE World ex UK Index	9.2	11.4	15.1	61.3
Atlas UK Direct Property Fund*	4.0	4.6	N/A	24.6
Benchmark - IDP UK All Property*	1.2	6.5	N/A	13.7

Source: Financial Express / Scottish Widows / Fund Provider / Capita.

* Launch Date - 17/10/2016

Where N/A is shown is because the fund wasn't yet launched and/or data is unavailable.

Data is displayed gross of fees and calculated by taking performance from the Atlas Series 1 funds (net of fees) and adding on the appropriately pro-rated fees for this series for 3 months, 1 year, 3 year and since inception for each fund.

Trustee Report (continued)

Investment Matters (continued)

Review of Investment Performance (continued)

Table 2 – Additional Funds available to members of the Capita Group Money Purchase Section

Fund / Benchmark	3 months (%)	1 Year (%)	Since Inception 17/10/16 (%)
Capita Active Global Equity Fund	7.3	7.6	19.9
<i>Benchmark - Composite</i>	9.3	7.2	19.9
Capita Passive Global Equity Fund	10.6	4.4	23.5
<i>Benchmark</i>	10.8	4.7	22.5

Source: Financial Express / Scottish Widows / Fund Provider / Capita.

N/A indicates where a fund was only recently made available to members and/or where full performance data is unavailable for all periods since launch.

Trustee Report (continued)

Compliance Matters

The following paragraphs are intended to give Atlas Members information about where they can find additional help if they encounter difficulties in resolving a pension query whether in relation to Atlas or to any other pension arrangement.

TPAS and Pensions Ombudsman

To comply with the requirements of the Pensions Act 1995, the Trustee provides a formal Internal Dispute Resolution Procedure. Atlas members and beneficiaries can take advantage of this if they wish to complain about maladministration or are in dispute over a question of fact or law relating to Atlas which cannot be settled with their employer or the Atlas administrator.

If an Atlas member or beneficiary is unable to resolve the problem using the Internal Dispute Resolution Procedure, TPAS (the Pensions Advisory Service) is available to give them free confidential advice on pensions matters.

The Pensions Ombudsman will, assist members and beneficiaries of the Trust in connection with difficulties which they have failed to resolve with the Trustee or Administrator of Atlas and may investigate and decide on complaints of maladministration or disputes of fact or law. His decision is binding on all parties and can only be challenged on a point of law in the High Court.

TPAS address: 11 Belgrave Road, London, SW1V 1RB.

Telephone: 0800 011 3797

The Pensions Ombudsman address: 1st Floor, 10 South Colonnade, Canary Wharf, London, E14 4PU.

Telephone: 0800 917 4487

Early resolution email: helpline@pensions-ombudsman.org.uk

Email: enquiries@pensions-ombudsman.org.uk

Pension Tracing Service

A register is maintained to help current or former members to trace their pension rights. Atlas is registered and relevant details have been given to the Pensions Tracing Service who can be contacted at:

Pensions Tracing Service
The Pension Service 9
Mail Handling Unit A
Wolverhampton
WV98 1LU

Registration under the applicable Data Protection Legislation

The data provided by members on their application forms is processed using computers. The use of the data is registered under the applicable Data Protection Legislation for the purposes of pensions administration by the Trustee and of personnel/employee administration by the employers.

Trustee Report (continued)

Statement of Trustee Responsibilities

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

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

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the Financial Statements on a going concern basis unless it is inappropriate to presume that Atlas will not be wound up.

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

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

The Trustee is responsible under pensions legislation for securing that payment schedules are prepared, maintained and from time to time revised showing the rates of contributions payable towards Atlas by or on behalf of the employers and the active members of Atlas and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of Atlas and for adopting risk-based processes to monitor whether contributions are made to Atlas by the employers in accordance with the payment schedules. Where breaches of the schedules occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

Approval

This Report has been approved by the Trustee.

Approved by the Trustee on 8 October **2019 and signed on its behalf by:**

Director



Director



DC Governance Statement

Statement of the Chairman of the Trustee of the Atlas Master Trust for the period 1st April 2018 to 31 March 2019

This statement is produced in accordance with section 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the Regulations)

The current Trustee Directors of the Trustee are:

- Alan Whalley (Chair of Trustee)
- BESTrustees Limited represented by Penny Green
- PAN Governance LLP represented by Steve Delo.

I hereby confirm that I, Alan Whalley, as one of the three Directors of the Atlas Trustee (Atlas Master Trust Trustee Limited), am the appointed Chair of the Atlas Master Trust (the 'Trust'). In accordance with regulation 23 of the Regulations I hereby confirm, on behalf of the Trustee Board, in relation to the Trust that:

All of the Trustee Directors (including the Chair) are non-affiliated – a structure which surpasses the statutory requirement (which requires only that a *majority* of the Board (including the Chair) are non-affiliated). In broad terms, "non-affiliated" means independent of the service providers and other commercial parties involved in the Trust.

In determining whether a Trustee Director is non-affiliated we have taken account of the detailed legal requirements (in broad summary):

- employment or management relationships with service providers (or connected businesses) in recent times; and
- any payments made or received from a service provider and any more general conflicts of interest between their role as trustee and relationship with a service provider.

None of the Trustee Directors is affiliated (that is, attached or connected to) to the Funder/Founder (Capita plc) or its wider Group (Capita) except by virtue of our appointment as Trustee Directors of Atlas. Similarly, none of us is affiliated to any of our key service providers. All of the Trustee Directors (including the Chair) are therefore "non-affiliated" during the year.

There have been no appointments to the Trustee Board or resignations from it during the period.

Details of the arrangements that were in place throughout the period to encourage members, or their representatives, to make their views about the Trust known to the Trustee are included in the 'Member Engagement' section of this statement.

Default Investment Review

Our Governance Schedule (the Trustee's forward planner of activities and events throughout each year) requires us, and our Investment Sub Committee, to monitor the investment performance of our default investments at each quarterly meeting. It also includes an annual review of our default strategy's continued suitability.

Default Performance Review

As noted above, we review the performance of the investment our default investments each quarter. However, our strategy for our default investment is long-term - members could be invested with Atlas for 50 years or more throughout the accumulation cycle (the time when they are growing their pot) and the decumulation cycle (the time when they are taking money from their pot).

DC Governance Statement (Continued)

Default Performance Review (continued)

Therefore we monitor on a quarterly basis in the main to ensure that Schroders (who are responsible for managing the core funds than create our default strategy) continue to act in accordance with our investment mandate with them (see table below). The mandate allows them the necessary flexibility to invest tactically and strategically in order to achieve the objectives we have set them. Our review is therefore less concerned with short term performance, which we know can be an unreliable indicator of long-term performance success, and more to help us determine if there are indicators of systemic issues we need to be concerned about.

Our Investment mandate with Schroders is for them to manage our three core Multi Asset Portfolios (MAPs). MAP1 has the higher equity weighting, and is therefore the most volatile fund, and MAP 3 has the lowest equity ratio and therefore has the least volatility. The long term strategic asset weightings of each MAP are shown in the table below.

	MAP1	MAP2	MAP3
Global Equity (Unhedged)	40%	30%	20%
Global Equity(Hedged)	40%	30%	20%
Global Sovereign Bonds (Hedged)	10%	20%	30%
Global Corporate Bonds	10%	20%	30%

In order to give Schroders the flexibility to seek value and opportunity in achieving the long-term fund objectives, the investment mandate provides for 'room for manoeuvre' by allowing them to hold different weightings within a pre-agreed minimum and maximum range. This includes flexibility to have more or less exposure to exchange rate fluctuations. The Permitted Weightings are shown in the table below.

Permitted Weighting	MAP1	MAP2	MAP3
Global Equity	65% - 95%	40% - 75%	25% to 55%
Bonds	5% to 30%	20% to 50%	40% to 70%
Cash	0% to 20%	0% to 20%	0% to 20%
Sterling Exposure	50% to 100%	60% to 100%	70% to 100%

We ask Schroders to attend the majority of our Investment Sub Committee meetings and their investment reports to us include a narrative of how (and why) they have positioned the portfolios, which allows us to monitor that the mandate has been met. This has enabled us to satisfy ourselves that Schroders have continued to act in accordance with the agreed investment mandate, including maintaining the Permitted Weightings shown in the table above. Despite the disappointing short-term performance that we have experienced over a number of quarters, we acknowledge that the mandate reflects a long-term time horizon and we are satisfied that Schroders have maintained the investment disciplines and style that led us to appoint them last year. We therefore retain our faith that Schroders can deliver the outperformance we anticipate over the longer-term.

DC Governance Statement (Continued)

Review of the default investment strategy

Because it is so vitally important to member outcomes, our Governance Schedule requires us to monitor performance (as described above) and also to review our default investment strategy each year. Accordingly, the default for the Trust was reviewed by the Board over the course of 2018. The starting point of the review is noted in the Minutes of the Investment Sub Committee's meeting on 16th May 2018, when the following was recorded:

'It was agreed that Environmental, Social And Corporate Governance should be considered in more detail as there is a growing demand for 'ESG' Funds; it was also noted that there was also a growing expectation from regulators that trustees consider such funds.

Schroders are actively developing propositions in this area and it was agreed the Committee should meet with Schroders to obtain more detail.'

The review continued over the course of the year and included several meetings with Schroders - specifically the team at Schroders which is responsible for their environmentally and socially responsible investment. It included meetings with participating employers and discussions on transitioning the existing investments (including discussions with HMRC about options for reducing stamp duty which - regrettably - proved to be fruitless) and, critically, the timing of when the transition should take place since, as will be recorded for posterity, 2018 and 2019 bore witness to Brexit's tumultuous political and market uncertainty. The transition, as noted below, was finally concluded in April 2019.

As we described in last year's statement, over the course of 2017 we undertook a fundamental review of our default investment strategy. This led to the implementation of a new investment strategy - managed on our behalf by Schroders - which adopts an active, multi asset management style often referred to as 'factor investing'. The objective of our review, as noted in the Minutes of the Investment Sub Committee meeting on 16th May 2018 (see above) was specific: to consider whether to (and if so how to) introduce greater focus on the environmental and social impacts of our investment strategy. This is commonly referred to as Environmental, Social & Governance (ESG) investing.

From this year onwards we are required by law to take into account 'financially material considerations' when investing scheme assets. The law sets out that 'financially material considerations' include (but is not limited to) environmental, social and governance considerations, such as climate change. The type of things we take into account when assessing financially material considerations include the different types of asset classes and their risk and reward characteristics, liquidity of the funds we invest in, investment fees, legislative charge caps and the age profile and risk tolerances of our membership. As we reported last year, we also take into account different styles of investment management.

We have also carried out a review to take into account non-financial matters in respect of our investments, including but not limited to members' and participating employers' ethical views. We make no apologies for this. It isn't possible to ignore the fact that investing in the global economy necessarily contributes to the environmental threats that our planet faces - global warming, deforestation and desertification, pollution, species extinction, extreme weather patterns and rapid exhaustion of natural resources. Equally, it would be wrong to ignore the fact that some of the industries in which we invest can damage society - the tobacco and gaming industries to name just two. It is naïve to expect poorly governed companies to acknowledge, let alone address, the damage that their actions and products may do to the wider environment and/or society.

DC Governance Statement (Continued)

Review of the default investment strategy (continued)

Over this reporting period we therefore reviewed the extent to which environmental and societal issues are financially material considerations. Put simply, might it be possible for us to improve our ESG footprint without damaging investment prospects? Or – better – might it even be possible to improve our ESG footprint and *improve* investment prospects?

Outcome of the review of the default investment strategy

As noted above, our review required us to engage with the team at Schroders to discuss how we can better integrate ESG into our core investment strategy. We had been greatly impressed by how Schroders have introduced a sustainable investment process into their core Multi Asset processes through a new proprietary framework called Sustainex. The Sustainex process evaluates both the positive and negative impacts that companies have on society and the environment. The underlying theory behind the process is based on a simple logic. Companies that are better stewards of the environment and society in which they operate will be valued more highly than those that pay less regard to them. At the same time, there is an expectation that companies that do the most damage will – soon if not today – be penalised financially through triggers such as higher taxes, higher levies and/or clean-up bills. In short, responsible behaviours will be translated into financial reward, and vice versa. So, by investing more heavily in better governed, more responsible companies, and reducing exposure to less well-governed and less responsible companies, Sustainex seeks to improve investment returns and simultaneously encourage company Boards to re-evaluate how they respond to societal and environmental issues.

Importantly, Schroders agreed to adopt the Sustainex process for the Atlas funds they manage without increasing the fees.

In 2019, we updated our Statement of Investment Principles (see <http://www.atlasmastertrust.co.uk/what-is-atlas/atlas-governance>) to reflect our belief that ESG is a material investment consideration that has the capacity to yield superior returns. Given this belief – and the knowledge that Schroders' fees remained unchanged – the Board agreed that canvassing member opinion would serve only to delay implementation, and in April 2019 we completed the switch of the equity components of Atlas' Multi Asset Portfolios into Schroders' sustainable variant – the Sustainable Multi Factor Equity (SMFE) Fund. We wrote to members (and their employers) via a Trustee Newsletter in June 2019 to explain the changes we made.

1. Our investment strategy is based on a set of Investment Beliefs which are described in our Statement of Investment Principles (<http://www.atlasmastertrust.co.uk/what-is-atlas/atlas-governance>).
2. Our default strategy forms an important part of our Value for Members assessment, attached as Appendix A, which should be read in conjunction with this summary to provide greater detail about the review process.
3. Our default strategy is subject to regular reviews to ensure it remains appropriate to the needs of members. We monitor its performance on at least a quarterly basis. It is reviewed both by us and by our Investment Sub Committee. We formally re-assess its objectives and suitability annually, in accordance with our Governance Schedule. Because the average member has a long-term investment horizon, our philosophy is to look at investment growth over the longer-term and therefore whilst we monitor performance on a quarterly basis, we would not expect to take precipitous action (such as replacing a manager) unless performance was poor over a significant period of time and we did not believe the manager can deliver the long-term objectives we have set them.

DC Governance Statement (Continued)

Outcome of the review of the default investment strategy (continued)

4. One of the Trust's participating employers has, with our agreement, implemented different default strategies for some of their membership demographics. We require this employer to take formal, independent investment advice about these strategies and to share that advice with us so that we can also gauge suitability. We also require them to provide details of their default strategies to members of their section in their Investment Guide, and through other on and off-line collateral. We monitor the performance of defaults in this employer's section in the same way that we monitor the performance of our standard default.
5. We review our Investment Beliefs and our SIP annually, also in accordance with our Governance Schedule.

Other key activities over the reporting period

Member Engagement: taking account of member views

Our Governance Schedule includes an annual review of our member communications strategy, including the effectiveness of our investment related communications. Through our Engagement Sub Committee and two engagement forums (see below), we gauge the success of our member engagement strategy (how we communicate with, and provide other support for, our members throughout their Atlas membership). Our Engagement Sub Committee has been tasked with researching more engaging ways of communicating with our members and as a consequence we have developed a number of new initiatives. These include video presentations, an on-line investment learning tool (Invest IQ) developed by our partner Schroders, and a new Financial Wellness toolkit to help members improve their overall financial security. Following a successful trial in 2018, we have now rolled out Video Benefits Statements to a wider membership.

During the reporting period we introduced member surveys. These surveys are intended to encourage members to let us know about their experience with Atlas, specifically with regards to their experience with the Atlas operations team/contact centre. Members are invited to rate their experience numerically and then invited to add some free format comments. We intend to use the results from these surveys to help inform our member engagement policies. One immediate change we have introduced, in response to some justifiable criticism, is to provide in writing the timeline that members can expect when requesting certain types of benefit payments. This year, we have also developed a survey questionnaire which we issued with the Benefits Statements in July 2019. This questionnaire is intended to encourage members to think about their pension (more often and in more detail) and to give us insight into their thoughts, knowledge, aspirations and concerns. It is too soon to reach any conclusions from this survey but we will be formally reviewing the feedback over the coming months and will provide an update in next year's Governance Statement. We do not expect this survey to be a one-off event.

We have further evolved our investment Guides to include simpler imagery to help members better understand the risk associated with different investment options.

Our Member Engagement Forum remains vitally important to us and we encourage as many members as possible to join this (primarily) on-line community to help us understand what we could do better and what members want from us – in particular how and when you wish us to communicate with you. The periodic **Trustee Newsletters** that we send to members provide more information on this forum. We also encourage support from our Participating Employers so that they too can encourage their employees to get involved. Members can join this important community by emailing us at Atlasmemberforum@capita.co.uk.

DC Governance Statement (Continued)

Other key activities over the reporting period (continued)

Member Engagement: taking account of member views (continued)

We held two **Atlas Employer Forums** during the reporting period. These are forums for our participating employers to discuss key issues with us. These are an excellent opportunity for employers to represent the views and comments of their own workforces. Invitations are sent to all participating employers ahead of each scheduled meeting.

Trustee and Sub Committee meetings

Over the reporting period we held:

- Seven Trustee meetings;
- Five Investment Sub Committee meetings;
- Four Engagement Sub Committee meetings;
- Four Risk & Operations Sub Committee meetings;
- One Risk & Operations Sub Committee Working Group meeting.

Our Discretions and Appeals Sub Committee, which deals primarily with the payment of death benefits to beneficiaries, meets on-line in order to speed-up the decision making process.

At least one Trustee Director is a member of each of our Sub Committees. Paul Trickett, the Chair of our Investment Sub Committee is, like the Trustee Board, independent of and unaffiliated with Capita Group and any of Atlas' service providers. The remaining Sub Committee members are drawn from the Atlas Executive.

The Trustee Board and Sub Committees meet regularly between formal meetings via email, telephone and in person. We consider that our time-commitment to Atlas and our desire to involve ourselves on a day to day basis is a key attribute of our governance style.

Master Trust Authorisation

Our Master Trust authorisation application was unquestionably our most significant project over the reporting period.

As we noted in last year's Governance Statement, all Master Trusts operating in the UK must be authorised by The Pensions Regulator (TPR). If they are not authorised, they will be required to close to new business and stop accepting members' contributions, transfer members' benefits to another provider and to wind-up. To become authorised, Master Trusts must demonstrate, to TPR's satisfaction, that they are financially sustainable, have robust administration and governance capabilities and are run and operated by appropriate persons with the right collective skills and knowledge. The criteria set by TPR were necessarily high, to ensure that members' interests are protected now and in the future. Testimony to this is the fact that only around half the Master Trusts in existence when the authorisation process began chose to go through the process. The others decided that they could not meet the required standards, and have either exited the market or are in the process of doing so.

Our submission (in March 2019) and supporting evidence ran to many hundreds of pages and took several months to compile. Even after the submission, for a period of almost three months, we were in regular contact with the team at TPR responsible for reviewing our submission, providing further explanations and evidence. This serves to demonstrate the rigor underlying the authorisation process and we are therefore delighted that Atlas became authorised from August 2019.

DC Governance Statement (Continued)

Core Financial Transactions

Core financial transactions include transactions such as investment of contributions, transfers in and out of the Trust, payments from the Trust to members and transfers/switches of assets between different investments. These are vitally important transactions which we therefore monitor carefully for both accuracy and process timing. We monitor these transactions through;

- Our Risk & Operations Sub Committee
- Administration Reports reviewed at each quarterly Board Meeting (we may ask for more frequent reports if we have any cause for concern)
- Through Atlas' Head of Operations, who is in frequent (often daily) contact with our operations team.

We are pleased to report that all core financial transactions throughout the period have been processed by Capita promptly and accurately and in accordance with the Service Level Agreements (SLAs) that we have in place. A summary of the performance of core financial transactions against SLAs is shown below.

Month	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
SLA	99%	100%	98%	99%	97%	99%	99%	100%	100%	97%	99%	93%

Bank reconciliations are performed daily and payments out are requested and authorised by two different people to improve accuracy and reduce fraud and error risk. All such transactions are monitored and reported quarterly through the formal Service Level Agreements we have in place with Capita Employee Solutions.

As we reported in last year's Chair's Statement, during the reporting period we became aware that one of our new Participating Employers had not met their legislative time frames for paying contributions to Atlas. On investigation, the cause of this was attributed to their unfamiliarity with the payroll process, since they had hitherto been a subsidiary company of a larger Group which had previously taken responsibility for its payroll duties. No contribution exceeded the 90 day late period that automatically triggers a notification to The Pensions Regulator. We are pleased to confirm that the situation is resolved through additional training provided by Atlas' administration team and that all payroll contributions are being paid in accordance with legislative timeframes.

Also during the last reporting period, the Trustee exerted considerable pressure on Capita Employee Solutions Limited when Service Levels deteriorated, such that all backlog is now cleared and levels are currently above the agreed levels. The pressure we exerted included discussions with senior managers and Board Directors, a requirement for weekly reporting and various process improvements.

In 2018, Scottish Widows announced that, subject to regulatory approval, they intended to buy Zurich's UK pension businesses, including the investment platform that Atlas uses. Regulatory approval has been granted and the transition to Scottish Widows was effective from 1st July 2019. All investments are now managed on an investment platform operated for Atlas by Scottish Widows, who completed their acquisition of Zurich Assurance in July 2019. The Service Level Agreement we previously had in place with Zurich has continued unchanged with Scottish Widows and service has been maintained throughout the transition.

DC Governance Statement (Continued)

Core Financial Transactions (continued)

Each year, we meet with senior managers of Scottish Widows (previously Zurich) to enable us to discuss subjects such as operational integrity, staffing levels devoted to Atlas and key risk controls, including the IT and operational interface with Capita's administration platform. At the September 2018 Board meeting, Scottish Widows management representatives were invited to discuss subjects such as the acquisition of Zurich, including ongoing staffing levels dedicated to Atlas, transition to the new platform and future investment in platform technology. Our Risk & Operations Sub Committee has been given responsibility for investigating Scottish Widows' Cyber Security and Business Continuity Recovery controls and processes to ensure that there is no deterioration from the controls that Zurich had in place.

Our Master Trust Assurance Framework ("MAF") Report provides further details about how Capita manages and controls core financial transactions, and about the oversight we apply as part of our own control framework, including an annual review by our Risk & Operations Sub Committee. Our latest MAF report is available at:

<https://www.capitaemployeesolutions.co.uk/application/files/7915/6881/8338/at18015-atlas-master-trust-aaf-report-pr.pdf>

Charges

Atlas charges members a percentage of their pension pot for running the Trust. This includes administration and investment, professional advisory fees (for example, legal and investment advice) Trustee fees, statutory and assurance audits and regulatory fees such as the TPR levy and Fraud Compensation levy.

The percentage charge to members is calculated on an 'underwritten pricing model'. This means that the charge reflects each employer's specific financial metrics (that is, the number of members in their section, their average age, average size of contributions and any assets to be transferred-in). Generally speaking, there is a lower charge for members who work for larger organisations due to the economies of scale. This leads to the structure whereby there are different fund series.

Some organisations may choose to pay a fee direct to Atlas, which has the effect of lowering (or eliminating altogether) the percentage member charge that would otherwise have been levied. The charge in respect of all investment options available to members of each section, is described in the Investment Guide for that section. The annual percentage charged (Total Expense Ratio) depends on the members' section and their selected investment fund.

Investment Transaction Costs

Transaction costs play a vital role in the investment returns that members receive. These are the costs incurred by investment managers in pursuit of their investment objectives. They include activities such as buying and selling stocks, taxes payable on stock purchases, commissions to third parties and costs of third-party investment research. Different investment managers and funds have different investment objectives, and therefore transaction costs can and do differ significantly – not just between different investment funds but also within the same fund over a period of time. That is, transaction costs in any particular investment fund in year two may be more or less than the transaction costs incurred in year one, and so on.

DC Governance Statement (Continued)

Investment Transaction Costs (continued)

The Trustee has long been an advocate of the ongoing regulatory work to better identify investment transaction charges. Without a better understanding of such charges, neither we nor our members can adequately understand whether a particular investment offers good value. We therefore support the principles of full transparency of costs and charges that are now enshrined in legislation. Over the course of this year we have engaged with (in particular) Scottish Widows to ensure that the transaction costs information we need is indeed available and can be disclosed to members in the timeframe and the format required by legislation. This information, including some illustrative examples of the effect of these charges, is now available to members at:

<http://www.atlasmastertrust.co.uk/your-money-with-atlas/investment-charges>

There are 7 fund series. To identify which one is relevant for you, the section name is included alongside the relevant fund series. Members can request paper copies of this costs and charges information, although the Trustee is not obliged to provide a hard copy if they have good reason to believe that the member can access the information they require from the website.

Each of the investment managers we have appointed has been able to provide the transaction cost data we require in the format we require it in, which satisfies the relevant legislation. We will continue to monitor this situation and would consider removing and replacing any manager that could no longer comply with this requirement.

Members can also ask us for the International Securities Identification Number (ISIN) of the fund or funds in which they invest. This is a unique reference number for each of the pooled investment funds available to members which will enable them to obtain more detailed information about these funds, including their objectives and performance.

You can get this information by contacting the Atlas Administration team on 03451213389 or by email at memberenquiries@atlasmastertrust.co.uk

Alternatively, you can write to them at PO Box 555, Stead House, Darlington, DL1 9YT.

Charges for Default Funds fall within the maximum statutory charge cap of 0.75%.

The charges applicable to all the investment options that members can choose from can also be found in the Investment Guide for their section, and in annual Benefits Statements.

Fair charges are an integral part of our annual assessment of Value for Members, attached at Appendix A.

Reviewing our service providers

We review our service providers regularly. In the case of our three core service providers (Capita, Schroders and Scottish Widows), we review key data at least quarterly. Other service providers (for example, legal advisers and auditors) are formally reviewed on an annual basis.

The Service Level Agreements we have in place with Capita Employee Solutions help to ensure that core processes and benefit payments are accurate and timely. We review interactions that our operations team has with members – complaints in particular – to see how we can improve the member experience. We have given our Discretions and Appeals Sub Committee a specific remit to undertake root cause analysis of complaints to identify any common issues at the heart of member dissatisfaction. We regularly review the performance of our selected investments, to ensure they are performing in accordance with the objectives we have set, and to act as an early warning system if things are not going as expected. We do this with the support of, and advice from, our investment adviser (Capita Employee Benefits (Consulting) Limited), and with regular reports from Zurich which are reviewed by both our Investment Sub Committee and the Trustee Board.

DC Governance Statement (Continued)

Trustee Knowledge and Understanding

Each Trustee Director is required to demonstrate that he or she meets The Pensions Regulator's Trustee Knowledge and Understanding requirements. Each Trustee Director is classified as a Professional Trustee, as defined by The Pensions Regulator, and therefore subject to higher professional standards.

We have a Fitness and Propriety Policy which we review annually, in conjunction with an annual review of the Board's effectiveness (last undertaken in January 2019) where, through a process of self-evaluation and with input from others, we seek to identify any gaps in our skills and knowledge, and develop plans to remedy any such deficiencies. We also review the effectiveness of the Executive team and Sub Committees that support us. To help our effectiveness evaluation, we utilise skills questionnaires modelled on guidance from The Pensions Regulator to which we then apply a peer review process. On a more regular basis, we use each quarterly Board meeting to determine whether we, as a Trustee body, with support from our Executive team and various advisers, have sufficient skills and knowledge to undertake each of the activities scheduled in the coming months. We can therefore address any skill or resource shortage ahead of the planned activity.

Our evaluation is at both the individual and collective (Board) level. That is, we review the skills and knowledge of each Trustee Director and we then apply that to an evaluation of the Board's collective skills and competence using our Governance Schedule as a reference.

On an annual basis we evaluate Board effectiveness by reflecting on the events over the year and how well we dealt with them.

We retain a matrix of the skills we require as a Board and we review that matrix on an annual basis to see whether or not the changing environment requires us to enhance the Board with new skill sets which we can achieve either by training or by appointment. The matrix comprises over 60 questions based around our Behaviours, Accountabilities, Knowledge and Understanding, Scheme-Specific Knowledge, Skills and Experience.

We also have a Fitness and Propriety Policy. This requires that each Trustee Director meets the following standards, both immediately prior to appointment and while holding office:

- That they are familiar with Atlas' Trust Deed and Rules and understand the roles, responsibilities and powers of the parties thereto. All relevant documents, including the Trust Deed and Rules, are available to the Trustee 24/7 through an online filing system, thereby supporting a working knowledge of these documents. The Trustee is also familiar with all other key documents, including the Statement of Investment Principles and our various policies. Review of the Statement of Investment Principles is undertaken with professional advisers, which supports a working knowledge of that current document.
- That they understand the basis of the service contracts with each of Atlas' service providers and the key responsibilities and accountabilities of each of those providers. These are also available to the Trustee 24/7 through an online filing system.
- The Trustee has a number of policies including policies on Investment Beliefs, Value for Members, Fitness and Propriety and Dispute Resolution. It reviews these policies annually, in accordance with the Governance Schedule, thereby supporting a working knowledge of these policies.
- That they possess appropriate experience, educational or professional qualifications, including The Pensions Regulator's Trustee Toolkit certificate or equivalent.

DC Governance Statement (Continued)

Trustee Knowledge and Understanding

- That they can demonstrate a high degree of knowledge about Defined Contribution pension provision in the UK including, but not limited to, law and regulation, funding and investments, communication methodology, scheme design and scheme administration. The Trustee's legal adviser provides updates prior to Trustee meetings (supporting a working knowledge of the law relating to pensions and trusts, and current developments that the Trustee Directors should be aware of).
- That they have experience of managing a variety of pension service providers, including monitoring and assessing their performance.
- That they possess independence, integrity and authority, sufficient to challenge service providers and/or scheme founders or participating employers if and when necessary. (By way of example, and as noted earlier in this report, the Trustee exerted considerable pressure on Capita Employee Solutions Limited when Service Levels deteriorated, such that all backlog is now cleared and levels are currently above the agreed levels. We also appointed a different investment adviser to support us during our transition to the new default, as we believed that they possessed better experience in this area than our existing adviser.)
- That they can display a high degree of competency in their concurrent and previous roles, and are known and respected by their peers.
- That they can demonstrate at all times integrity, honesty and sound ethical character.
- That they have not been reprimanded, disqualified or removed by a professional or regulatory body in relation to questions of honesty, integrity or business conduct.
- That they understand and can reinforce a strict compliance, risk awareness and good governance environment.
- That they have not been involved in the management of a company that has failed as a result of deficiencies in the execution of their role in the management of that company during their tenure.
- That they have not been the subject of civil or criminal proceedings in relation to the management of a company.
- That they have not been the subject of a serious criminal conviction.

As part of the authorisation process referred to above, we were required to submit to The Pensions Regulator (TPR) details of all Trustee Directors and other key staff involved in managing Atlas. TPR subsequently assessed the fitness and propriety of these individuals as part of the Fitness and Propriety regime and will continue to do so on an ongoing basis.

Our Business Plan over the next two years anticipates no new appointments to the Trustee Board. As and when new appointments are made, the incumbent will be subject to the same Fitness and Propriety policy as noted above. Any training needs will be identified and a formal training plan will be drawn up and implemented within a timeframe approved by the Trustee Chair. Induction training will be provided within the first month of appointment to include familiarisation with the Trust Deed and Rules, the Statement of Investment Policy, all other Trustee Policies and Beliefs and familiarity with each of the service providers and the metrics by which we monitor and review them. A key requirement will be that the new Trustee Director will be required to obtain The Pension Regulator's Trustee Toolkit certificate within six months of appointment, assuming that they do not already hold it.

DC Governance Statement (Continued)

Trustee Knowledge and Understanding (continued)

The Master Trust authorisation regime has introduced a new term – ‘Scheme Strategists’. These are people who are primarily responsible for the commercial direction of a master trust, ensuring that it achieves the targets set out in its Business Plan and updating the Business Plan on an ongoing basis to reflect actual experience and the changing environment. Strategists can perhaps best be thought of as commercial directors.

Unusually (perhaps even uniquely), we at Atlas have chosen to name each of the Trustee Directors as a Scheme Strategist, in addition to the other three individual Strategists. We did this in the belief that delivering value for members will, from time to time, require us to get involved in commercial decisions. This commercial role is different to a traditional trustee role and we have therefore identified additional training needs which we have scheduled into our training requirements. These include gaining and maintaining an understanding of the costs involved in running a master trust, and how these costs flow into the actuarial model that calculates fees paid by members, and gaining and maintaining relevant knowledge of the commercial pensions market, including our Master Trust competitors.

As noted above, our Governance Schedule also requires us to ‘forward plan’ for activities that are scheduled to be undertaken over the following quarter in particular but also over the year ahead, to ensure we have the right balance of skills and knowledge to carry out those activities, or to give us the opportunity to make timely contingency plans – such as additional training – where appropriate. We receive regular updates on the law and regulation that impact defined contribution pension schemes like Atlas. We regularly engage with The Pensions Regulator and Department of Work and Pensions on policy matters, and to help influence better outcomes for members. We do this directly and through the Atlas Executive.

Each of us Trustee Directors is defined as a Professional Trustee. Two of us, Steve Delo and Penny Green, are representatives of Independent Trustee companies (PAN Governance LLP and BESTrustees Limited respectively) which are subject to stringent Training and Competence obligations. PAN Governance LLP is part of the PAN Group, which operates extensive control processes for its business, which include an Assurance Framework Supplement as specified by The Pensions Regulator. This applies formally to PAN Trustees Limited (of which Steve Delo is a director) and the control procedures for which are informally adopted by PAN Governance LLP. Strict fitness and properness and professional development criteria applies to all members of PAN Governance LLP. Similarly, BESTrustees Limited operates extensive control processes for its business, which also includes an Assurance Framework, and employs strict fitness and properness criteria and CPD programmes.

As Chairman, I am a Fellow of the Institute and Faculty of Actuaries and subject to its Professional Codes of Conduct regime and CPD regime. Each of us Trustee Directors is a Fellow of the Pensions Management Institute, and subject to the Professional Codes of Conduct of that regime.

The Trustee also employs professional advisers (Capita Employee Solutions, Pinsent Masons, Scottish Widows and Crowe) to provide appropriate advice and support services to ensure that scheme governance, controls, skills and knowledge remain current and meet the expectations of Regulators and our scheme members. The Trustee is empowered to commission additional advice from other professional advisers as it sees fit.

DC Governance Statement (Continued)

Trustee Knowledge and Understanding (continued)

Atlas is accredited with the Audit Assurance Framework 02/07. This is an independent audit of Atlas' control environment which includes an audit of our controls around Trustee Fitness and Propriety. The latest report is available on line at:

<https://www.capitaemployeesolutions.co.uk/application/files/7915/6881/8338/at18015-atlas-master-trust-aaf-report-pr.pdf>

The combined knowledge and understanding of the Trustee and its advisers enabled the Trustee to properly run the Trust, in the year, as follows:

- Trustee Directors are able to challenge and question advisers, committees and other delegates effectively.
- Trustee decisions are made in accordance with the Trust's rules and in line with trust law duties.
- Trustee Directors' decisions are not compromised by such things as conflicts.

Considering actions taken individually as individual Trustee Directors and collectively as a Trustee Board, and the professional advice available, I am confident that the combined knowledge and understanding of the Trustee Directors enables us to properly exercise our functions as the Trustee of Atlas.

Signed for and on behalf of the Trustee of the Trust by Alan Whalley in my capacity as Chair of the Trustee

A handwritten signature in black ink, reading 'AK Whalley', with a stylized flourish at the end.

Alan Whalley
Chair of the Trustee

Date: 13th September 2019

DC Governance Statement (continued)

List of other evidence represented in appendices and available online:

Appendix A: Value for Members Assessment

Appendix B: Schematic of Atlas Trustee Executive Team Structure

Our Statement of Investment Principles (SIP) can be found at:

<http://www.atlasmastertrust.co.uk/what-is-atlas/atlas-governance>.

Our Charges and Costs disclosure, and illustrations of the effects of those costs and charges, can be found at:

<http://www.atlasmastertrust.co.uk/your-money-with-atlas/investment-charges>.

Our Master Trust Assurance Framework (MAF) Report can be found at:

<https://www.capitaemployeesolutions.co.uk/application/files/7915/6881/8338/at18015-atlas-master-trust-aaf-report-pr.pdf>

DC Governance Statement (continued)

Appendix A: Value for Members Assessment

Introduction

Welcome to our annual report on the value that Atlas members receive for the charges they pay and transaction costs attributable to their accounts. 'Value for Members' analysis and reports such as this are a legal obligation for trustees such as us so that we can ensure that we are delivering good value, and so that members and the employers that they work for can also validate that Atlas offers a value proposition.

Our main role within Atlas is to oversee the smooth, safe and efficient running of Atlas for the benefit of all of our members and all of the employers who have chosen Atlas for their workforces. Ensuring Value for Members, or VFM for short, is one of our most important objectives.

In last year's report we noted that there was an emerging consensus on what constitutes good value within pension schemes like Atlas. We were also pleased to note that the consensus was very much aligned to Atlas' VFM policy, which is based on two central tenets:

- lowest cost isn't synonymous with the best value; cheap isn't always cheerful; and
- it isn't always true that you get what you pay for – you can pay too much for not enough.

As in previous years, these beliefs continue to inform our evaluation of Atlas' VFM. There are numerous costs associated with running pension schemes, some predictable and some not. If charges are too low there is insufficient room for improvement and development, both of which are essential given the long-term nature of pensions. (Many of our members today may still be members in 50 or more years.) Conversely, charging disproportionately more than the actual costs experienced can never be in members' interests. Navigating the fine line between charging too little and too much is critical to our VFM assessment.

Building on the evaluations we have carried out in previous years, our focus for this year's evaluation has been in three main areas: first is the introduction of a stronger Environmental, Social and Governance (ESG) overlay to our investment strategy (see Investment Update on page 11); second is ensuring that the problems that we reported in last year's report, relating to a period of disappointing performance by our administrators, have been resolved; and third is in developing new ways to try and engage our members, this year through the introduction of video benefits statements, which we first trialled in 2018 and which (following very encouraging feedback from the recipients), we will be rolling out to the wider membership in 2019.

Regulatory expectation

The Pensions Regulator (TPR) – the public body responsible for regulating workplace pensions in the UK – expects trustees to take account of four main attributes in their assessment of VFM. These are:

- Scheme management and governance;
- Administration;
- Investment governance; and
- Communications

Our assessment takes each of these aspects of scheme management into account.

DC Governance Statement (continued)

Appendix A: Value for Members Assessment (continued)

Our VFM Assessment

In making our assessment of whether Atlas levies charges that are fair and reasonable in light of the governance, administration, technological and communications services we deliver, we have considered whether Atlas offers or provides for:

- A good level of services, flexibility and choices to members;
- A governance environment in which good decision-making can thrive;
- An effective, efficient network of service providers and sub-committees (and others) that support both the trustees' day to day and their strategic work;
- Communications that can inform, engage and educate members, and which can give them the confidence to make choices that suit their circumstances, if and when they want to;
- Investment strategies that are designed for appropriate outcomes in an array of different circumstances; the Investment Update provides more detail on developments over this reporting period;
- Robust, accurate, efficient administration platforms;

In assessing the value of the services that Atlas offers members, and the flexibility and choice within that offering, we took into account:

- The flexibility that Atlas members have to increase or reduce their contributions;
- The number of different ways that members are able to contact Capita (Atlas' Administrator) in order to make changes and enquiries or to access information, and the efficiency of those options. Whilst it is our aim for Atlas to be a predominantly on-line experience, it is not exclusively so and members can also write in, e-mail and call the UK based member helpline which is staffed by dedicated, pension-literate service operatives who will link directly to the Atlas administration team if they are unable to resolve the query. We measure how quickly members' queries are resolved and regularly review performance metrics such as how quickly a call is answered and how quickly the query is resolved;
- Very importantly, members do not need to transfer their benefits to another pension provider or to buy another pension product in order to access their pension savings. Instead they can take income and/or cash sums direct from Atlas for no additional charge. They can do this, irrespective of the size of their pension pot, over the short, medium and long term – whether retired or still in work – maximising flexibility and allowing them time and opportunity to manage their retirement income in the most appropriate way. We know from our research that this is a feature shared by few other Master Trusts, and it is a feature that we hope will give confidence to members to transfer-in other pension pots from schemes that do not offer the same flexibility;
- The number, quality and suitability of investment choices available to members during both accumulation (the savings stage) and decumulation (the taking benefits stage);
- Our investment strategy and governance oversight. Last year we reported on the evolution in our investment strategy with the appointment of Schroders to manage the funds that we use in our 'default investment strategies' (the investment strategies we use for members who do not actively choose their own investments). This year we report on another significant change to our investment strategy through the introduction of an investment process which embeds environmental, social and governance (ESG) issues into the investment process. This is covered in more detail under Investment Update on page 11.
- That there are no hidden charges – members pay only the charges they've been told about (see also 'Transaction costs', starting on page 25).

DC Governance Statement (continued)

Appendix A: Value for Members Assessment (continued)

Our VFM Assessment (continued)

- On-line member guidance, modelling tools and educational modules to help guide and support members up to and through retirement.
- In conjunction with Atlas' Executive Team, which has a dedicated Head of Engagement (Roz Watson), we continue to explore tools and strategic partnerships with the aim of providing additional, cost effective education, guidance, advice and support to members to help them make appropriate savings and retirement decisions. This work continues, including a free to use 'Financial Wellness' programme. This is a series of on-line modules designed to help members better understand the complexities of today's financial world and provide help and guidance to improve their financial standing. You can find out more about this at: <http://financialwellness.capitaemployeebenefits.co.uk/>
- Atlas members also have use of an online investment tool from our investment partner, Schroders. This tool seeks to explain the basics of the investment process and help members identify what type of investor they may be.

You can find this tool at <http://www.schroders.com/en/insights/invest-iq/investiq/>

A governance environment in which good decision-making can thrive.

In assessing the quality of our governance environment over this period we considered:

- The knowledge and competence of our Board, its Sub Committees and the Atlas Executive (the Capita employees responsible for Atlas' day to day operation and who report to the Trustee Board). We review this structure formally on an annual basis which gives us the opportunity to identify if there is room for improvement;
- The availability and quality of other governance, technical and legal experts we are able to call upon;
- The sufficiency, timeliness and accuracy of scheme performance data and other information available to us to:
 - help us ensure that members' contributions are invested correctly and quickly,
 - ensure that members receive the correct benefits,
 - gain adequate oversight and control to ensure that our strategies are being delivered, and
 - to highlight any areas of concern that we need to focus attention on (see Administration Report starting on page 24).

As part of our regular Trustee Board and Sub-Committee meetings we undertake a series of formal annual assessments. This includes a review of our own competence and efficiency as a Trustee Board, a review of our Sub Committees – both structures and efficiency - and a review of the collective knowledge and competency of the management team that supports our day to day work ('the Atlas Executive'). We also assess how well our service providers delivered against the performance benchmarks we have set them including:

- the sufficiency and timeliness of legal and other professional advice and support on regulatory and legislative change programmes,
- economic data;
- behavioural data; and
- technology improvements and best practice developments.

DC Governance Statement (continued)

Appendix A: Value for Members Assessment (continued)

A governance environment in which good decision-making can thrive (continued)

We also took into account how well - and how often - we listened to others' voices and opinions - including members, participating employers, prospective employers, professional consultants, trade bodies and the regulatory community. In making this assessment we considered the make-up of our Engagement Sub Committee (which includes two trustees), trustee attendance at our Employer Forums and the feedback we get from our Member Forums and the 'pulse surveys' we undertake. Over the course of this reporting period, we piloted video benefits statements and we subsequently surveyed the recipients to establish whether they preferred this method of engagement. The results were highly encouraging, and we have therefore decided to use video statements for a wider membership from this year on.

We have also reviewed feedback from professional consultants and other third parties during open tender processes and we have regular dialogue with the regulatory community and professional bodies so that we understand - and aim to exceed - the standards set by them.

The transparency and speed of our decision making

Our key consideration for this evaluation was our introduction of a much stronger emphasis on environmental, social and governance (ESG) criteria within our investment strategy. Once we had identified, with help from Schroders, a solution which should simultaneously benefit members financially and drive behavioural change within the Boards of investable companies, we introduced the change at our earliest opportunity. Our default strategy now includes a sophisticated ESG filter which we describe in more detail under the **Investment Update** below.

We also considered our Audit Assurance 02/07 evaluation. This is a focussed, independent assessment of our control environment including the quality, quantity and frequency of the data and other information we receive that enables us to take appropriate action when necessary. This evaluation is voluntary and has been adopted by a relatively low proportion of Master Trusts, despite the comfort it can give to us, to our members and to employers;

This year we have also been able to reflect on our application to become an authorised Master Trust. From this year onwards, any Master Trust provider that wishes to operate in the UK must be authorised by The Pensions Regulator (TPR). The criteria, prescribed by law and by TPR, to achieve authorised status were set deliberately high; only Master Trusts which are financially sustainable, have robust governance and administration capabilities and which are run and operated by appropriate persons with the right collective skills and knowledge will meet the criteria. As we progressed our application, we were reassured that the processes and people that were already embedded in Atlas meet the expected standards. During the process we also ensured that the Trustee has access to significant financial assets should they need it to resolve any issues that may arise.

An effective, efficient network of service providers, sub-committees and others that support our day to day and strategic work.

With the exception of the Discretions and Appeals Sub Committee, which meets on an ad-hoc basis, each of our sub Committees meets at least quarterly and provides valuable Trustee support. Our Engagement Sub Committee, Risk and Operations Sub Committee and Discretions and Appeals Sub Committee are chaired by a Trustee Director to give us first-hand oversight and leadership. Our Investment Sub Committee is chaired by Paul Trickett, an independent, highly qualified, investment professional. We undertake annual reviews of the competence, membership and efficiency of each of our Sub Committees.

DC Governance Statement (continued)

Appendix A: Value for Members Assessment (continued)

An effective, efficient network of service providers, sub-committees and others that support our day to day and strategic work (continued)

Our Client and Member Forums are up and running. Our Client Forum is a forum for participating employers to meet and discuss development plans and to air any issues they or their employees are experiencing. Our Member Forum is intended to give members a say in what we do and how we do it. This is predominantly an on-line community to which new members are always very welcome. Users or members interested in joining this group and helping us to shape Atlas' future can contact Atlas' Head of Engagement, Roz Watson, at:

roz.watson@atlasmastertrust.co.uk.

Communications that can inform, engage and educate members.

We continue to develop our engagement strategy; we have a long-term vision of a highly digitalised future where members can engage with their Atlas savings through the medium that best suits them, such as on-line and through Apps. We are, however, committed to retaining more conventional channels (such as post and telephone) for members who prefer to engage in that way.

Last year, we published our first Atlas Newsletter to members. Our third has recently been published and we intend to continue to publish them at least annually.

As noted above, following a successful trial of our on-line video benefits statements we are now rolling these out to a wider audience. We expect to increase the content of these videos over time, to provide more information, without compromising their aimed-for simplicity. Our member engagement strategy will increase our focus on downloadable video and audio content so that members can learn more about pensions and related topics 'on the go' and at a time of their choosing

Our Engagement Sub-Committee continues to focus on;

- Feedback generally (including feedback from participants and members, in particular through our client and member forums and from members after any specific interactions with Atlas;
- Input from 'Sparks', Capita's dedicated engagement specialist team. This includes valuable insights into optimum engagement strategies gained through focus groups such as 'Language Labs'. These are generally two-hour sessions with a small group of employees during which Sparks measures the level of effectiveness and clarity of current language and communications used to support DC pensions such as Atlas. It gives insight into the best language to use and how and when to use it so that members better understand the world of pensions and related benefits. It also focusses on identifying the channels employees prefer to use to communicate with their pension scheme providers. Our Head of Engagement works closely with the Sparks team to ensure Atlas members benefit from the latest insights and technological developments;
- Specific feedback from participants in respect of 'outcome critical communications' including Trustee newsletters, new member on-boarding communications, accumulation and decumulation investment nudges, retirement wake-up packs and ongoing retirement support;
- External accreditations (e.g. Pension Quality Mark Ready, our Defaqto 5 star rating, our Mastertrust Assurance Framework);

DC Governance Statement (continued)

Appendix A: Value for Members Assessment (continued)

Communications that can inform, engage and educate members (continued)

- External accreditation of our service providers (for example Capita's Audit Assurance Framework 01/06 and various credentials and certificates which validate that they meet internationally recognised standards in vitally important matters such as cyber security and business continuity);
- Our communication methodologies and technologies;
- Members' responses to specific and/or targeted communications/messaging;
- Members' responses to different media;
- Feedback from independent evaluators and consultants;
- Feedback on our communication and engagement material from the Pension and Lifetime Savings Association during our application for Pension Quality Mark Ready status.

Investment strategies designed for good outcomes in an array of different circumstances

In assessing the quality of our investment decisions, we took into account:

The quality of Scottish Widows' (see below) investment platform proposition including:

- platform costs;
- open architecture capabilities;
- transition management capabilities;
- our (and their) ability to negotiate better or 'favoured nation' terms;
- the security of assets on the platform;
- error remediation process;
- ability to provide data accurately and in a timely manner
- operational effectiveness and efficiency;
- The cyber-attack prevention capabilities and Business Continuity and Recovery processes; and
- Environmental, Social and Corporate Governance (ESG) policies.

In 2018, Scottish Widows announced that, subject to regulatory approval, they intended to buy Zurich's UK pension businesses, including the investment platform that Atlas uses. Regulatory approval has been granted and the transition to Scottish Widows was effective from 1st July 2019. Although the process for regulatory approval is detailed and complex and ensures that policyholders (such as us) retain rights and conditions which are on the same terms as before the change of ownership, we have nevertheless worked with our Executive Team to satisfy ourselves that the transition will be beneficial to us and our members. We consider Scottish Widows to be an excellent partner to support us in the future and look forward to developing our working relationship with them;

- The skills, judgement and competence of our Investment Consultants, and the flexibility we have to use different investment advisers depending on the nature and complexity of the task in hand;
- The performance, suitability and effectiveness of our default strategies. We reviewed our default strategy in 2017 with Paul Trickett, our independent Chair of our Investment Sub Committee. This led to a decision to use an efficient, active investment management strategy in conjunction with Schroders. We reviewed our strategy again in 2018 at which time we determined to increase our Environmental, Social and Governance (ESG) footprint. We cover this in more detail under 'Investment Update' on page 10.

DC Governance Statement (continued)

Appendix A: Value for Members Assessment (continued)

Investment strategies designed for good outcomes in an array of different circumstances (continued)

- Whether any investment-related conflicts exist that might impede good member outcomes.
- The research capabilities and analytical methodology employed by our Investment Consultants to help inform our investment strategy;
- The ability of our Investment Manager to identify Transaction costs and their willingness to engage with the regulatory requirements for standardised measurement and disclosure of these costs;
- The reasonableness (or otherwise) of those Transaction Costs – see below;

Transaction Costs

Transaction costs play a vital role in the investment returns that members receive. These are the costs incurred by investment managers in pursuit of their investment objectives. They include activities such as buying and selling stocks, taxes payable on stock purchases, commissions to third parties and costs of third-party investment research. Different investment managers and funds have different investment objectives, and therefore transaction costs can and do differ significantly – not just between different investment funds but also within the same fund over a period of time. That is, transaction costs in any particular investment fund in year two may be more or less than the transaction costs incurred in year one, and so on.

From this year onwards, all pension schemes like Atlas are required by law to provide more information about charges and transaction costs to their members. We have created a website specifically for this purpose which members can refer to whenever they wish (<http://www.atlasmastertrust.co.uk/your-money-with-atlas/investment-charges>). There are seven fund series and to help members to identify which fund series link to open, the section name is included alongside the fund series. Understanding the magnitude and effect of charges and transaction costs is also very important to us as trustees. It helps us evaluate whether the fund managers we appoint are efficient and whether the funds we make available to Atlas members represent good value. It doesn't automatically follow that lowest transaction costs are better value. Some investment funds (like our Multi Asset Portfolio funds managed by Schroders) are expected to incur relatively high transaction costs because we expect Schroders to be actively managing the portfolios in accordance with the mandate we gave them. Other fund managers - especially those who are managing a passive mandate – will typically undertake less activity and can therefore be expected to incur lower transaction costs. Our responsibility is to evaluate whether managers are efficient or inefficient, and whether the costs of their activity add to or subtract from investment returns.

To aid our evaluation of the Transaction costs incurred by Schroders during the management of our three core Multi Asset Portfolios (MAPs), we have taken into account the conclusions of an independent report (dated December 2018) undertaken by PTL, a market leading and award winning specialist provider of independent governance services, primarily in respect of UK pension arrangements. Branded as 'Clear Funds' the assessment seeks to evaluate *'the extent to which the transaction costs incurred in the operation of the Fund (the "transaction costs") represent good value for members'*.

DC Governance Statement (continued)

Appendix A: Value for Members Assessment (continued)

Transaction Costs (continued)

To help us better understand the detail of the investigative processes undertaken, in early 2018 we asked a member of our Investment Sub Committee to meet with PTL for an overview of the evaluation process. In brief, the Clearfunds process reviews the control environment operated by Schroders to optimise transaction costs. The assessment considers how comprehensive the controls were and obtained evidence that they were being operated, and the quantum and incidence of transactions costs for each of the MAPS Funds mindful of the respective investment objectives.

The assessment was completed via desktop analysis of Schroders documents, such as ISAE 3402 / AAF 01/06 reports and a site visit to Schroders to meet a number of their key operational personnel.

Although we anticipate that new entrants into this emerging 'evaluation market' will bring new tools and insights, and hence increase the sophistication and reliability of such independent reports in future, we were very encouraged by PTL's proposition. More recently we have been pleased to note that other investment managers have chosen to use the Clearfunds service which we see as an endorsement of their value.

The Clear Fund reports are available on-line to members at:

<http://www.atlasmastertrust.co.uk/your-money-with-atlas/investment-charges>.

We therefore do not propose to include lengthy extracts from those reports in this value for money report, except to reproduce the conclusion reached by PTL for each of our MAPs which was: *'It is our opinion that the incidence and quantum of transaction costs incurred, and the control environment of those transaction costs in the operation of the Fund, represent good value for members/money.'*

Robust, accurate, efficient administration platforms

As we have noted in each of our Value for Money reports, good administration is a pre-requisite for a well-run Master Trust and an area of the upmost importance to us. Our administration service provider is Capita Employee Solutions (CES), whose performance we monitor regularly through our dedicated Head of Operations and formally on a quarterly basis at each of our scheduled Trustee meetings. We review administration more frequently during peaks of activity, such as when on-boarding new schemes or accepting bulk transfers. We may also monitor performance more frequently if there has been any deterioration in performance, as we did last year until we had satisfied ourselves that performance was back in line with the formal agreement, we have with CES. Our Risk & Operations Sub Committee, which also reviews performance at each quarterly meeting, supports us with the monitoring and oversight process. Our Head of Operations acts as a permanent interface with the Atlas administration team. Our assessment took into account:

- Process timing;
- Regular monitoring of administration services against Service Level Agreement;
- The sufficiency and quality of the Management Information that is included in our Administration reports;
- Any qualitative assessments of the administration service from members, including complaints and compliments and responses to surveys and questionnaires;
- Security procedures;
- Data integrity and compliance with data protection legislation;

DC Governance Statement (continued)

Appendix A: Value for Members Assessment (continued)

Transaction Costs (continued)

- Business Continuity Plans that ensure business-critical activities can continue to function in the event of disruption (such as a fire at a particular work site);
- Operational scalability – our ability to increase the size and scale of Atlas without undermining the quality of service delivery;
- Errors and error rectification;
- The Audit Assurance Report 01/06 prepared by Capita, which provides reasonable assurance about the controls within their business;
- Helpdesk performance measurements (both qualitative and quantitative).

In last year's value for money assessment, we were disappointed to have to report that there had been some deterioration in service where, for several months, a number of key tasks were not completed within the agreed time-frames. At that time, we worked closely with the administration team (including frequent – often daily – contact through our Head of Operations) and held meetings with senior managers and directors within Capita's pension administration business. This collaborative approach led to the operational improvements that we are enjoying today. We are pleased to report that the agreed timeframe for each operational activity is now being met consistently.

Charges that are fair and reasonable

Atlas operates on a 'bundled' pricing model, whereby a charge is levied against members' accumulated funds for the provision of all services – Governance, Administration, Investment and member engagement. We apply a single charge (called a Total Expense Ratio – or TER) which varies according to the investments selected by members and can vary depending on the size of the organisation for whom they work. (The economy of scale gained through administering larger workforces usually means a lower administration charge for those organisations.)

Over the course of this year, Atlas has continued to participate in competitive tender processes. These are processes whereby potential clients (or their advisers) ask Master Trusts to tender for their business. This includes detailing the charges that we would apply should we be successful. The feedback we receive from these exercises confirms to our satisfaction that our charges are indeed competitive relative to other Master Trusts, and this knowledge gives us a great deal of confidence about our VFM assessment.

In addition to this valuable feedback our VFM review considered:

- The competitiveness of our TER (during both the saving and spending cycles) compared to our peer group;
- Charges for specific transactions, including transfer penalties, investment switch charges, drawdown charges and UFPLS charges (none of which are charged by Atlas but which are charged by some other Master Trusts);
- Benchmarking exercises – both independent exercises conducted by unconnected parties and those that we have commissioned to help us assess ourselves against competitors.

DC Governance Statement (continued)

Appendix A: Value for Members Assessment (continued)

Investment Update

As we described in last year's report, over the course of 2017 we undertook a fundamental review of our default investment strategy. The default investment strategy is the investment journey that Atlas members automatically join, and stay in, until and unless they choose to invest in one (or more) of the alternative investment options that Atlas offers. Our 2017 review sought to evaluate whether our current default strategy could and indeed should be improved upon; put simply, could we improve the VFM of our investment strategy. This led to a new investment strategy – managed on our behalf by Schrodgers – which adopts an active, multi asset management style.

Our belief is that, with greater diversification and the application of a degree of active management, this strategy has a likelihood of producing superior returns over the longer term, with acceptable levels of volatility, compared to the more passive, and less diversified, investment strategies that Atlas used previously. Passive management brings with it the advantage of low investment charges but can result in a lack of diversification and constraints on dynamically adjusting allocations across markets. We believe that widening the investment opportunity set is critical to delivering strong long-term returns. The Trustee was conscious that a cost/benefit trade off exists when introducing active management. We were therefore focused on negotiating favourable terms with Schrodgers which meant that the additional fees were very modest compared to the expected benefits.

It is important to note that the long-term effectiveness of this strategy cannot be readily determined from short term performance since inception. Whilst the initial returns from Schrodgers have fallen behind benchmark expectations, we do not believe that this is indicative of any weakness in the long-term potential of the portfolios.

Conclusion

To help us reach our conclusion we asked ourselves two questions.

- 1. Does the scope and quality of each service provide good value for the relevant costs and charges incurred by members?
- 2. Does the scope and/or quality of a particular service justify any differences in cost when compared to similar schemes and other options available in the market?

In respect of the first question, we consider that the foregoing analysis demonstrates that Atlas does indeed provide comprehensive services each of which represents good value for the relevant costs and charges incurred by members.

In respect of the second question, we are confident in our conclusion that all of Atlas' services compare well to other schemes in the market during both the accumulation phase and (especially) during the decumulation phase. As noted above, we can be confident about this from the fact that we do not levy transactional charges for different services, and from feedback (from intermediaries, trustees and employers) that we receive from tender exercises, which confirm that Atlas is indeed competitive relative to similar offerings available in the Master Trust market.

DC Governance Statement (continued)

Appendix A: Value for Members Assessment (continued)

Investment Update (continued)

In conclusion, we are confident that Atlas continues to levy charges that are fair and reasonable in light of the governance, administration, technological and communications services we deliver.

We will of course continue to identify and champion product enhancements and improvements in value that will ultimately enhance member retirement outcomes.

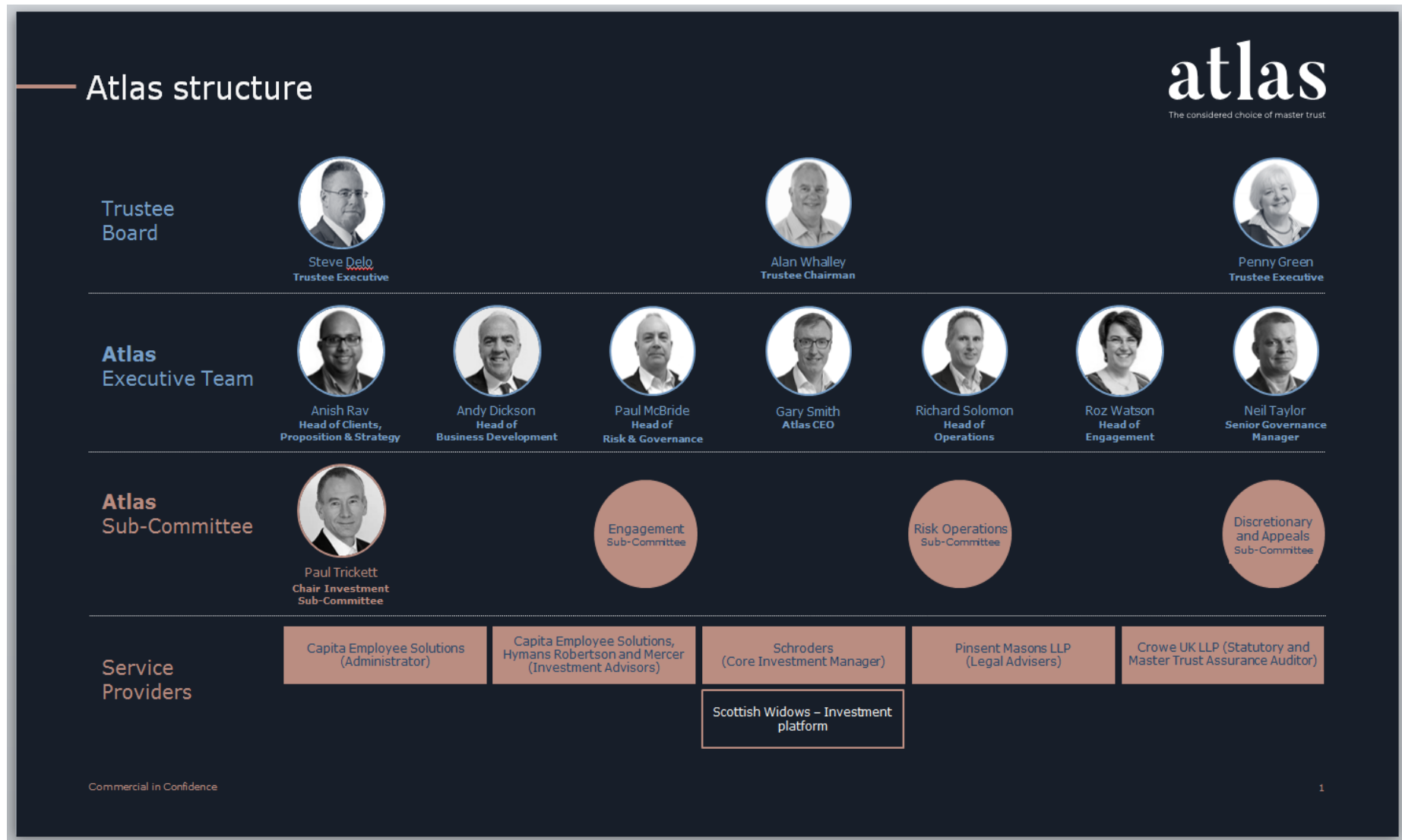
A handwritten signature in black ink, reading "AK Whalley". The signature is written in a cursive, slightly stylized font. The "A" and "K" are joined together, and the "Whalley" is written in a flowing script. The signature is positioned above the printed name and title.

Alan Whalley
Chair of Trustee

Date: 13 September 2019

DC Governance Statement (continued)

Appendix B: Schematic of Atlas Trustee and Executive Structure



Independent Auditor's Report to the Trustee of the Atlas Master Trust

Opinion

We have audited the Financial Statements of the Atlas Master Trust for the year ended 31 March 2019 which comprise the Fund Account, the Statement of Net Assets and the related notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of Atlas during the year ended 31 March 2019, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of Atlas in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

- The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
- In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

Independent Auditor's Report to the Trustee of the Atlas Master Trust (continued)

Other information (continued)

- inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
- We have nothing to report in this regard.

Responsibilities of Trustee

As explained more fully in the Statement of Trustee Responsibilities set out on page 17, the Trustee is responsible for the preparation of the Financial Statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Crowe U.K. LLP

Statutory Auditor

London

Date: 11 October 2019

Fund Account

For the year ended 31 March 2019

	Notes	Year ended 31 March 2019 £000	Year Ended 31 March 2018 £000
Contributions and benefits			
Employer contributions		96,590	66,814
Employee contributions		15,929	7,680
Total contributions	3	112,519	74,494
Transfers in	4	87,818	453,948
Other income	5	6,054	2,910
		206,391	531,352
Benefits paid or payable	6	(13,374)	(6,500)
Payments to and on account of leavers	7	(46,963)	(26,230)
Administrative expenses	8	(2,219)	(1,601)
		(62,556)	(34,331)
Net additions from dealings with members		143,835	497,021
Returns on investments			
Investment income	9	3	-
Change in market value of investments	10	26,516	16,121
Net return on investments		26,519	16,121
Net increase in the fund during the year		170,354	513,142
Net assets of Atlas at the beginning of the year		822,263	309,121
Net assets of Atlas at the end of the year available to members		992,617	822,263

Statement of changes in Funds

For the year ended 31 March 2019

	Available to Members 31 March 2019 £000	Statutory Reserve 31 March 2019 £000	Total 31 March 2019 £000
Funds at the beginning of the year	822,263	-	822,263
Net increase in funds during the year	170,354	-	170,354
Statutory reserve funding received	-	790	790
Funds at the end of the year	992,617	790	993,407

The notes on pages 49 to 57 form an integral part of these financial statements.

Statement of Net Assets available for benefits

As at 31 March 2019

	Notes	31 March 2019 £000	31 March 2018 £000
Investment assets			
Pooled investment vehicles	13	982,086	811,543
Cash in transit	10	141	498
Total investments		983,017	812,041
Current assets	16	12,106	11,142
Current liabilities	17	(1,716)	(920)
Net assets of Atlas at end of year available to members		992,617	822,263
Funds			
Available to members		992,617	822,263
Statutory reserve		790	-
		993,407	822,263

The financial statements summarise the transactions of Atlas 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 Atlas year.

The notes on pages 49 to 57 form an integral part of these financial statements.

The financial statements set out in pages 46 to 57 were approved on behalf of the Trustee
on *8 October* 2019

Director

AK Whalley

Director

[Signature]

Notes to the Financial Statements

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).

2. Accounting Policies

Investments

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Pooled investment vehicles have been valued at the latest available single price provided by the pooled investment manager.

Presentation Currency

The Atlas's functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Atlas year end.

Contributions

Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the employers, except for the first contribution due where the employee has been auto-enrolled by the employer in which case it is accounted for when received by Atlas.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employee contributions, in accordance with the Payment Schedule in force during the year.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.

Salary Sacrifice contributions are paid by the employers. Contributions are paid on behalf of the members by the employers and are in addition to the normal employer contributions. Members can opt out of this arrangement.

Benefits and Leaver Payments

Benefits are accounted for in the year in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

Expenses

All direct costs of administration, except for the management charges, including fees payable to Trustee Directors are met by Capita. The expenses are accounted for on an accruals basis.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Transfer Values

Transfer values are recognised when the Trustee of the receiving scheme has accepted the liability for the transferring member. In the case of individual transfers, this is usually when received or paid.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

Annuities

Members' retirement annuities are purchased from Insurance Companies to match and fully guarantee the pension obligations of Atlas in respect of that individual. The cost of the annuity is accounted for in the Fund Account for the year in which Atlas's liability is discharged. Such policies are not included in the Financial Statements.

Investment Income

Income from cash and short term deposits is accounted for on an accruals basis.

Other Income

Income received relating to the management charge is accounted for on an accruals basis.

3. Contributions

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Employer contributions:		
Normal	54,539	36,217
Salary sacrifice	35,709	24,365
Augmentations	1,576	1,538
Additional	4,766	4,694
	96,590	66,814
Employee contributions		
Normal	8,148	3,741
AVC	7,781	3,939
	15,929	7,680
	112,519	74,494

Additional contributions relate to salary sacrifice AVCs of £4,764 million (2018: £4,661 million) and pay in lieu of notice payments of £NIL (2018: £32,393) employer contributions that members, on leaving the company, have elected to have paid into their retirement fund rather than to them personally, it also includes £2,000 underpaid (2018: £1,000) overpaid contributions.

Augmentations relate to amounts paid by the Employer relating to members severance payments.

During the year there were three instances of late payment of employees' and employers' contributions of £131,520 relating to the Link Jersey Section.

There were also three instances of late payment of employee' and employer' contributions of £166,309 relating one participating employer. The Atlas administration team was in contact with the employer over the period to help resolve the payroll issues; no contribution was later than 90 days. The Trustee notified the Pensions Regulator on a precautionary basis.

Notes to the Financial Statements (continued)

4. Transfers in

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Group transfers in from other schemes	80,935	447,791
Individual transfers in from other schemes	6,883	6,157
	87,818	453,948

Group transfers in during the year relate to a transfer of assets from the Capita Group Money Purchase Scheme (total value £80.7 million) which was paid as a combination of cash and asset switches from Old Mutual to Scottish Widows and a transfer in from another scheme (total value £0.240K) paid as an asset Transfer from L&G to Scottish Widows.

5. Other Income

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Claim on term Assurance Policies	3,822	1,341
Payment by Capita to balance unit position	13	25
Atlas management charges	2,219	1,544
	6,054	2,910

Administration charges, which vary between employers, are charged by Capita against the value of each pension pot and are payable by the member. Charges are deducted from members' pots by the encashment of units. The charges shown here are those that have been deducted from the members' pots in the year ended 31 March 2019. Some employers may choose to reduce the charge by paying fees direct to Capita which are not included above.

6. Benefits paid or payable

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Lump sums and commutations	7,695	4,272
Purchase of annuities	537	440
Lump sum death benefits	5,110	1,759
Taxation where annual allowance exceeded	32	29
	13,374	6,500

Notes to the Financial Statements (continued)

7. Payments to and on account of leavers

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Refunds of contributions	3	1
Individual transfers out to other schemes	46,960	26,229
	46,963	26,230

8. Administrative expenses

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Administration fees	2,219	1,601

The administration fees of £2.219 million (2018: £1.601 million) relate to the recharge of the management charges, the income from which is included in note 5, which is payable to Capita.

9. Investment income

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Income on cash deposits	3	-

10. Reconciliation of net investments**Summary**

	Value at 01.04.18 £000	Transfer in £000	Purchases at cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31.03.19 £000
Pooled Investment Vehicles	811,543	79,120	126,492	(61,585)	26,516	982,086
Cash in Transit	498					141
	812,041					982,227

Included in the above purchases and sales figures is £113.6 million relating to members individual and life styling switches and £2.218 million relating to the transfer of the multi asset growth fund, the above value also includes AVCs totalling £11.995 million (2018: £7.691 million).

Transaction costs

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

Notes to the Financial Statements (continued)

11. Concentration of investments

The following investments accounted for more than 5% of Atlas's net assets:

	31 March 2019		31 March 2018	
	Value	Value	Value	Value
	£000	%	£000	%
Capita Passive Global Equity Fund	238,211	24.3	222,277	27.4
Atlas Multi Asset Portfolio 1	469,287	47.8	324,088	39.9
Atlas Multi Asset Portfolio 3	54,830	5.6	70,695	8.7
Atlas Multi Asset Portfolio 2	39,998	4	47,462	5.8

12. Investment allocation

Investments purchased by Atlas are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Atlas administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by Atlas that relate to members leaving Atlas prior to vesting.

Investments are allocated to members and the Trustee as follows:

	31 March 2019	31 March
	£000	2018
		£000
Members	982,125	811,534
Trustee	-	-
	982,125	811,534

13. Pooled investment vehicles

Atlas's investments in pooled investment vehicles at the year end comprised:

	31 March 2019	31 March
	£000	2018
		£000
Multi Asset *	571,929	450,322
Bonds	63,430	51,818
Equity	316,141	286,894
Cash	26,127	18,506
Property	4,459	4,003
	982,086	811,543

* Invest in a range of different asset classes including bonds, equities, fixed interest, cash and property.

Notes to the Financial Statements (continued)

14. Fair value determination

The fair value of financial instruments has been determined 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.

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

As at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled investment vehicles	-	982,086	-	982,086
Cash in Transit	141	-	-	141
Total	141	982,086	-	982,227

As at 31 March 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled investment vehicles	-	811,543	-	811,543
Cash in Transit	498	-	-	498
Total	498	811,543	-	812,041

15. 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: 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: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

- **Currency risk:** the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- **Other price risk:** the risk that the fair value or future cash flows of a financial instrument 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 financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Notes to the Financial Statements (continued)

15. Investment risk disclosures (continued)

The funds which have exposure to these risks are set out below:

	Fair Value Hierarchy	Indirect Credit Risk	Currency	Interest rate	Other price	2019 Value £000
Pooled Investment Vehicles:						
- Atlas Multi Asset Portfolio 1	2	Y	Y	Y	Y	469,288
- Capita Passive Global Equity	2	N	Y	N	Y	238,211
- Atlas Multi Asset Portfolio 3	2	Y	Y	Y	Y	54,830
- Atlas Level Annuity Target	2	Y	N	Y	N	47,090
- Atlas Multi Asset Portfolio 2	2	Y	Y	Y	Y	39,999
- Atlas UK Equity Index Tracker	2	N	N	N	Y	26,378
- Atlas Cash	2	Y	N	Y	N	26,127
- Capita Active Global Equity	2	N	Y	N	Y	13,701
- Atlas North America Equity Index Tracker	2	N	Y	N	N	11,038
- Atlas World (excluding UK) Equity Index Tracker	2	N	Y	N	Y	6,722
- Atlas Europe (ex UK) Equity Index Tracker	2	N	Y	N	N	6,137
- Atlas Corporate Bond Index Tracker	2	Y	N	Y	N	4,751
- Atlas UK Direct Property	2	Y	N	Y	Y	4,459
- Atlas Japan Equity Index Tracker	2	N	Y	N	N	4,385
- Atlas Active Corporate Bond	2	Y	N	Y	N	4,336
- Atlas Over 5 Years Index-Linked Gilts Index Tracker	2	Y	N	Y	Y	4,091
- Atlas Over 15 Years Gilts Index Tracker	2	Y	N	Y	Y	3,167
- Atlas Asia Pacific (ex Japan) Equity Tracker	2	N	Y	N	Y	3,045
- Atlas Active Multi Asset	2	Y	Y	Y	Y	2,870
- Atlas Active Emerging Markets Equities	2	N	Y	N	Y	2,790
- Atlas Flexible Pre-Retirement	2	Y	Y	Y	Y	2,527
- Atlas Multi Asset Absolute Return	2	Y	Y	Y	Y	2,267
- Atlas Sharia Compliant Fund	2	N	Y	N	N	2,099
- Atlas Global Equity Index Tracker	2	N	Y	N	Y	1,456
- Atlas Emerging Markets Equity Index Tracker	2	N	Y	N	Y	141
- Atlas Passive Multi Asset Fund	2	Y	Y	Y	Y	112
- Atlas Retirement Income Drawdown Fund	2	Y	Y	Y	Y	32
- Atlas Flexible Access Retirement Fund	2	Y	Y	Y	Y	31
- Atlas Ethical	2	N	N	N	N	6
Total						982,086

Source: Scottish Widows.

Note: Only a portion of the funds may be exposed to the risks shown.

Notes to the Financial Statements (continued)

15. Investment risk disclosures (continued)

Credit risk

Atlas invests in pooled investment vehicles through an investment platform with Scottish Widows and therefore is directly exposed to the credit risk of Scottish Widows. Scottish Widows is regulated by the FCA. In the event Scottish Widows becomes insolvent and could not meet its obligations, the Trustee may be able to make a claim against the Financial Services Compensation Scheme on behalf of their members; however, the regulations around this are unclear and have never been tested. Atlas is also subject to indirect credit and market risk arising from the underlying investments held in the Scottish Widows funds.

16. Current assets

	31 March 2019 £000	31 March 2018 £000
Contributions due:		
Employer normal	7,097	6,275
Employee normal	1,745	1,291
Cash balances - designated to members	2,888	3,390
- undesignated to members	194	16
Other	182	170
	12,106	11,142

Contributions due from the employer were received subsequent to the year end within the timescales set out in the payment schedule.

17. Current liabilities

	31 March 2019 £000	31 March 2018 £000
Accrued expenses due to Capita	354	170
Accrued benefits	1,303	750
Income tax payable	59	-
	1,716	920

18. Employer-Related Investments

During the year and the prior period there were no employer-related investments.

19. Related Party Transactions

During the year £164,938 (2018: £142,173) was paid to the Independent Trustee Directors by Capita.

The administration fees amounting to £2.219 million (2018: £1.601 million) mentioned in note 8 are payable to Capita.

Notes to the Financial Statements (continued)

20. Unitisation

The allocation by value of units to participating employers at 31 March is shown in the statement below:

	31 March 2019 £000	31 March 2018 £000
Capita Group Money Purchase Scheme	863,627	730,089
CER Staffing Solution	1,268	291
City Health Care Partnership	7,414	3,032
Decumulation	405	160
Emerson	21,862	19,210
Hewlett Packard	39,234	32,449
Link	18,119	1,802
Nidec	17,689	15,027
Nifco	1,527	278
Parking Eye	167	-
The Scotts Company	1,819	468
Supplier Assessment Services	122	-
Westrock	8,872	8,728
	982,125	811,534

21. Transfers between sections

During the year a total of £5.698 million has been transferred from the Capita to the Link Section of Atlas.

22. Statutory reserve

The statutory reserve is the amount that was set aside by Atlas' Funder (Capita Employee Benefits Limited) that the Trustee is entitled to draw upon to maintain operations should a Triggering Event arise. A Triggering Event is one of the series of legislatively prescribed situations that could require Atlas to stop operating and wind-up. Due to the changes in the Master Trusts regarding the Pensions Regulator (TPR) Code of Practice 15, a new bank account was opened and a statutory reserve of £790k was paid into the account in February 2019. After consultation with TPR the Trustee has opened a new bank account and the money was paid into this account in August 2019.