BAXI GROUP PENSION SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

Registrar of Occupational and Personal Pension Schemes
Registration Number 10003248

CONTENTS

TRUSTEE AND ADVISERS

Trustee	Baxi Group and Newmond Pension Trustees Limited	
Trustee Directors	BESTrustees Limited (The independent trustee) (represented by Mark Taylor - Chairman)	
	Philip Lowton*	
	Simon Oliver	
	Karen Roberts	(until 30 June 2021)
	Diane Sutherland*	
	Kris Swiderski	(until 10 March 2021)
	Steve Randall	
	Mark Larner*	(from 10 March 2020 to 30 July 2020)
	John McFaull**	(from 16 June 2020)
	Katie Wright*	(from 18 February 2021)
	Claire Carlin	(from 18 February 2021)
	* Member Nominated Director	
	** Pensioner Director	
Secretary to the Trustee	Karen Roberts	(until 30 June 2021)
	Pinsent Mason Pension Services	(from 1 July 2021)
Principal employer	Baxi Group Limited	
Participating employer	Baxi Heating UK Limited	
Actuary	Matthew Jones, Mercer Limited	
Scheme administrator	Buck	
Independent auditors	PricewaterhouseCoopers LLP	
Bankers	Lloyds Bank Plc	
Legal advisers	Pinsent Masons LLP	
Investment adviser	Mercer Limited	
Defined Benefit Investment managers	Legal & General Assurance (Pensions Management) Limited	
	C B Richard Ellis Investors Limited	
	BlackRock Investment Management (UK) Limited	
	Schroder Investment Management Limited	

TRUSTEE AND ADVISERS

Defined Contribution Investment managers	Legal & General Assurance (Pension Management) Limited Clerical Medical Investment Group Limited
Investment Custodians	HSBC Global Investor Services and Citibank NA for Legal & General Assurance (Pensions Management) Limited Bank of New York Mellon for Blackrock Dynamic Diversified Growth Fund Chase Nominees Ltd for Schroder Pension Management Limited RBC Investor and Treasury Services Limited for CB Richard Ellis Global Investors
AVC providers	Clerical Medical Investment Group Limited Utmost Life and Pensions Limited Phoenix Life Scottish Friendly Assurance Society Legal & General Assurance (Pensions Management) Limited

TRUSTEE'S REPORT

Introduction

The Trustee is pleased to present its report on the Baxi Group Pension Scheme ("the Scheme") for the year ended 31 March 2021.

The Scheme was established in 1960 and is governed by a Definitive Trust Deed and Rules dated 10 November 2003 (as subsequently amended).

The sole Trustee is Baxi Group and Newmond Pension Trustees Limited.

In accordance with HMRC requirements the Scheme is registered under Chapter 2, Part 4 of the Finance Act 2004. As a consequence both employee and employer contributions are normally eligible for tax relief and income and capital gains earned by the Scheme receive preferential tax treatment.

The Scheme offers both defined benefits and defined contribution benefits for the staff of the Baxi Group and its subsidiary companies in the United Kingdom. The Defined Contribution ("DC") section is open to all employees of the Baxi Group and its subsidiary companies in the United Kingdom upon meeting the entry requirements of the Scheme. The Defined Benefit ("DB") section is closed to new members except for certain members of the DC section who retain an option to join the DB section.

Trustee

The Trustee is responsible for the administration and investment policy of the Scheme. The Trustee meets regularly to discuss reports received from the Administrator and the Investment Advisers and Managers. The Administrator and Investment Advisers attend each meeting and Investment Managers will attend at least one meeting per year going forward. During the year under review the Trustee held meetings on 4 occasions (2020: 4).

All occupational pension schemes must implement arrangements that provide for at least one-third of the total number of Trustee board to be member-nominated. The arrangements for the nomination and selection must be proportionate, fair and transparent. The Scheme rules contain provisions for the appointment and removal of the Trustee, subject to the member nominated trustee provisions of the Pensions Act 2004. Currently, six of the Trustee Directors are appointed by, and may be removed by, the principal employer of the Scheme (one of whom is an independent trustee). Three of the Trustee Directors are appointed following a nomination process among members of the Scheme who are in pensionable service and one is nominated by the pensioners of both the Scheme and the Newmond Pension Plan. The names of the current Trustee Directors are included on page 1 of this report.

Trustee fees are shown in note 10 to the financial statements which are wholly payable to BESTrustees Limited.

The Trustee periodically reviews registers of risks and conflicts to ensure that appropriate internal controls are in place and remain effective and have appointed professional advisers to support them in delivering the Scheme objectives. These professionals are detailed on pages 1 and 2.

Changes to the Scheme

A change was made to the death only benefits section by way of a deed dated 25 February 2021. This change was as the Principal and Participating Employers have decided to provide a life assurance benefit of 1 x basic salary for all UK employees who are not active members of the Scheme. Previously the benefit was only provided for an employee's first three months of employment.

TRUSTEE'S REPORT

Financial development of the Scheme

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

During the year, the fund account increased by £46.8 million (2020: increased by £1.6m), arising as follows:-

	2021	2020
	£m	**£m**
Net withdrawals from dealing with members	**(7.2)**	**(8.0)**
Net returns on investments and transfers between sections	**54.0**	**9.6**
Net increase in the fund	**46.8**	**1.6**

	Defined Benefit Section	Defined Contribution Section	Defined Benefit Section	Defined Contribution Section
	2021	**2021**	**2020**	**2020**
	£m	**£m**	**£m**	**£m**
Net (withdrawals) / additions from dealing with members	**(7.4)**	**0.2**	**(9.7)**	**1.7**
Net returns on investments and transfers between sections	**39.2**	**14.8**	**13.5**	**(3.9)**
Net increase / (decrease) in the fund	**31.8**	**15.0**	**3.8**	**(2.2)**

Membership

Changes in membership of the Scheme during the year were as follows:

Defined Benefits Section	Active members	Deferred Pensioners	Pensioners	Total
Members at 1 April 2020	172	851	1,964	2,987
Adjustments	-	(7)	(8)	(15)
Adjusted membership at 1 April 2020	172	844	1,956	2,972
Members retiring	(12)	(24)	36	-
Members leaving prior to pensionable age	(17)	17	-	-
Members leaving with refund/transfer out	-	(17)	-	(17)
Trivial commutations	-	-	(1)	(1)
Deaths	(1)	(1)	(49)	(51)
Spouse and dependation cessations	-	-	(15)	(15)
New spouse and dependant pensions	-	-	34	34
Membership as at 31 March 2021	142	819	1,961	2,922

Pensioners include 3 child pensioners (2020: 3) and 339 spouse/dependants' pensions (2020: 325).

TRUSTEE'S REPORT

Defined Contribution Section	Active members	Deferred Pensioners	Total
Members at 1 April 2020	1,125	1,229	2,354
Adjustments	(13)	9	(4)
Adjusted membership at 1 April 2020	1,112	1,238	2,350
New members joining	127	-	127
Death in service/deferment	(3)	-	(3)
Members leaving prior to pensionable age	(179)	179	-
Members leaving with refund/transfer out	(3)	(32)	(35)
Retirements in the year	(2)	(24)	(26)
Membership as at 31 March 2021	1,052	1,361	2,413

The majority of the adjustments relate to starters or leavers updated after the above numbers had been provided and reconciled.

New members joining are stated net of auto-enrolment opt-outs where contributions were never remitted to the Scheme.

Pension increases

Pensions from the Scheme are increased each year in accordance with the rules of the Scheme and any legal requirements. In July 2020, all pensions in payment were increased. The excess over the Guaranteed Minimum Pension (GMP) element of pensions increased by 2.6% (1 July 2019: 2.4%). This was based on the increase in the RPI to March 2020 and applied to all pensioners. Post 1988 GMP elements were increased by 1.7% (2019: 2.4%) and post 1 November 2006 elements were increased by 2.5% (2019: 2.4%).

For a certain section of the Scheme where benefits were earned before 1 July 1996 there is a minimum guaranteed pension increase of 3% which is applied. For other sections of the Scheme, pension increases are provided at a different rate for certain periods of service in the past. Increases to the extent that it was possible were paid in accordance with the Scheme's rules, and are detailed below:

GMP – statutory increases. This means that there are no increases on the pre-88 GMP. The post-88 GMP increases in line with CPI, subject to a maximum of 3%.

Pension relating to pensionable service up to 30 June 1996 (in excess of GMP) – increased in line with the RPI, subject to a maximum of 5% a year and a minimum of 3% a year;

Pension relating to pensionable service from 1 July 1996 to 31 October 2006 (in excess of GMP) – increased in line with the RPI, subject to a maximum of 5% a year;

Pension relating to pensionable service on and from 1 November 2006 – increased in line with the RPI, subject to a maximum of 2.5% a year.

Deferred pensions in the Scheme increase in accordance with statutory requirements.

No discretionary increases were awarded to pensions in payment or deferred pensions.

TRUSTEE'S REPORT

Transfer values

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pensions Schemes Act 1993 and included discretionary benefits to the extent determined by the Trustee on the advice of the Scheme's Actuary. No reductions are applied to transfer calculations to reflect the Scheme's underfunding.

Report on actuarial liabilities

As required by Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every three years using assumptions agreed between the Trustee and the employers and set out in the Statement of Funding Principles, a copy of which is available to members on request.

The last full actuarial valuation of the Fund was undertaken as at 31 March 2018. Updated Actuarial Reports have been produced on 31 March 2019 and 31 March 2020. These showed:

	Actuarial Valuation 31 March 2018	Actuarial Update 31 March 2019	Actuarial Update 31 March 2020
Value of assets available to meet technical provisions	£384.3m	£394.0m	£398.1m
Value of technical provisions	£462.5m	£473.6m	£492.0m
Past service deficit	£78.2m	£79.6m	£93.9m
Funding ratio	83%	83%	81%

The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Scheme in the future. The following significant actuarial assumptions have been used in the calculations;

- Discount interest rate – before retirement: The discount rate used is a term structure derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cash flows beyond the longest available yields) plus an additional 2.0% per annum to reflect the allowance the Trustee have agreed for additional investment returns.
- Discount interest rate – after retirement: The discount rate used is a term structure derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cash flows beyond the longest available yields) plus an additional 0.5% per annum to reflect the allowance the Trustee have agreed for additional investment returns.
- Future Retail Price inflation: The assumption for the rate of increase in the Retail Price Index (RPI) will be a term structure derived from the difference between the yield on conventional and index-linked UK Government bonds at the date of each future cash flow (extrapolated for cashflows beyond the longest available bonds).
- Future Consumer Price inflation: The assumption for the rate of increase in the Consumer Price Index (CPI) will be derived from the RPI inflation assumption with an appropriate adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. The adjustment will be reviewed at each triennial valuation; at the 31 March 2018 valuation the adjustment was a deduction of 1.0% per annum.

TRUSTEE'S REPORT
Report on actuarial liabilities (continued)

- Pension increases: The assumption for the rate of inflationary pension increases will be a term structure derived from price inflation annual forward rates allowing for the maximum and minimum annual increase entitlements. As at 31 March 2018, the Jarrow-Yildirim model is used to derive rates with appropriate caps and collars from forward rates of price inflation.
- Pay increases - CARE: Past service benefits are assumed to increase in line with CPI during their remaining employment. Future increases in earnings for this group are assumed to increase at 1.25% p.a. above RPI with further promotional increases.
- Pay increases – Non CARE: Future increases in earnings for this group are assumed to be 1% p.a. fixed with no allowance for additional promotional increases.
- Mortality: Base tables: The mortality assumptions will be based on up-to-date information published by the Continuous Mortality Investigation (CMI) and National Statistics, making allowance for future improvements in longevity and the experience of the Scheme. The mortality tables are the S2PA (Year of Birth) tables with improvements based on the CMI 2017 model with core parameters and a long term improvement rate of 1.5% p.a. The following weightings are applied to the base tables:
    - Male non-pensioners: 105%
    - Female non-pensioners: 102%
    - Male pensioners: 103%
    - Female pensioners: 103%

  A reserve, calculated as 2% of the liabilities, is added in addition.

If the Scheme had no shortfall (or surplus) and its assets were exactly equal to the technical provisions, contributions would still be required to cover the cost of benefits expected to accrue to members in the future. The Accrued Benefits Funding Method has been used to calculate this future service contribution rate.

The Participating employers were required to pay contributions to the Scheme in accordance with the Schedule of Contributions signed on 27 April 2016 which became effective from 27 April 2016. A new Schedule of Contributions was agreed on 29 July 2019 which confirmed the continued rate of deficit contributions until 30 September 2020, after which they were increased; and increased the rate of expense contributions from 1 September 2019. A further new Schedule of Contributions was agreed on 14 May 2020 which allowed the Participating employers to defer the April and May 2020 deficit contributions and pay these over a longer period between October 2020 and March 2021 instead.

As shown above the actuarial valuation at 31 March 2018 revealed a funding shortfall of £78.2m. The Trustee agreed a recovery plan with the Principal employer to eliminate this shortfall which includes:

- Monthly contributions of £823,550 from 27 August 2019 increasing annually in line with RPI, until 31 August 2024 (subject to the two month deferment mentioned).
- Monthly contributions of £191,667 from 1 October 2020, increasing annually in line with RPI, until 31 August 2024.
- Monthly contributions towards expenses at the rate of £73,667, increasing annually in line with RPI, from September 2019.
- The employers will meet the cost of insurance premiums in respect of death in service lump sum benefits.
- The employers are also required to cover the cost of PPF Levy payments.

In addition to the contributions set out above, the Employer will pay contributions that are contingent on the Scheme's funding position at future dates. As the funding position at 31 March 2020 was below the target set as part of the 31 March 2018 actuarial valuation additional contributions were payable at £166,667 per month from 1 October 2020 to 31 March 2021.

The next actuarial valuation is due as at 31 March 2021 and is currently underway.

TRUSTEE'S REPORT
Deficit Contributions

For April and May 2020 the deficit contributions were temporarily suspended due to the impact of the Covid-19 pandemic as agreed between the Scheme and the Principal Employer. The contributions recommenced being paid from June 2020 and the amount deferred was fully paid by 31 March 2021.

Going concern

The activities of the Scheme, together with the factors likely to affect its future development, performance, risks and uncertainties and financial position are set out below. These have been reviewed by the Trustee Directors in conjunction with the Scheme's financial resources alongside its relationship with the principal and participating employers.

In considering whether it is appropriate to prepare the Scheme's financial statements on the going concern basis the Trustee Directors have considered the following factors:

- The Trustee Directors consider that the Scheme is able to meet the liabilities for at least 12 months from the date of signing the financial statements due to the significant value of assets held, the vast majority of which are readily realisable, compared to the annual cash outflow;
- There is no intention or need for the Scheme to enter wind up or a Pension Protection Fund assessment period at the date of signing the financial statements; and
- Whilst the principal and participating employer deferred the contributions due in April and May 2020 contributions have been paid in accordance with a revised schedule of contributions certified by the Actuary;

Taking into account the measures we have taken and will take, the Trustee Directors have a reasonable expectation that the Scheme has adequate resources to continue in operational existence for the foreseeable future. Thus, the Trustee Directors continue to adopt the going concern basis in preparing the Trustee's report and financial statements.

GMP Equalisation

On 26 October 2018, the High Court ruled that benefits provided to members who had contracted out of their Fund must be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 6 April 1997. In addition in November 2020 the High Court also ruled that past transfers out had to be equalised. Following the rulings, it is expected that the Trustee will need to amend the Scheme rules and equalise guaranteed minimum pensions between men and women. This will result in an additional liability for the Scheme. Based on the initial estimations performed by the Scheme actuary, the Trustee is not expecting the impact of this to be material to the financial statements and therefore have not included a liability in these financial statements. They will be accounted for in the year they are determined.

Benefit Audit

The Trustee is undertaking a check of historic benefits to ensure they are paid in accordance with the Trust Deed and Rules. This project is on-going, and several issues have been identified. The Trustee considers the impact of these issues is unlikely to be material to the financial statements and, therefore, has not included a liability or asset in respect of them in these financial statements. Any adjustments to pensions paid will be accounted for in the year they are determined.

TRUSTEE'S REPORT
Disputes

The Scheme has a formal dispute resolution procedure in place. Members whose issues are not resolved in the first instance by the Scheme Administrator can use this procedure.

In the event that no satisfactory resolution can be achieved, free advice can be obtained through The Pensions Advisory Service ("TPAS") who can be contacted at 11 Belgrave Road, London SW1V 1RB. If a member has a complaint which TPAS is unable to resolve, then they can ask for a ruling from the Pensions Ombudsman who can be contacted at the same address.

Covid-19

Covid-19 has caused significant disruption to economic activity which has been reflected in global stock market fluctuations and, in turn, in the valuation of scheme assets.

The Trustee manages risks associated with movements in investment market prices by constructing a diverse portfolio of investments across various asset classes and markets, which is also designed to hedge the vast majority of the movement in liabilities.

The Trustee of the Scheme is in constant dialogue with the Principal and Participating Employers and its Advisers to limit the impact of Covid-19. As detailed in the paragraph headed Going Concern the Trustee did agree to a deferral of the contributions due for April and May 2020, with contributions recommencing in June 2020. The Trustee has communicated the potential for scams to members particularly where transfers have been requested. The Trustee has also monitored the position of the Scheme's investment closely with the investment advisers.

Further information

Requests for additional information about the Scheme generally, or enquiries relating to members' own benefits, should be made to Buck, 5th Floor, Temple Circus, Temple Way, Bristol BS1 6HG.

TRUSTEE'S REPORT
Investment report

The Baxi Group Pension Scheme (the "Scheme") is divided into two sections: the Defined Benefit ("DB") Section and the Defined Contribution ("DC") Section. The information below relates to the DB Section only.

DB Section

Introduction

The DB Section's main investments have been managed during the year under review by BlackRock Investment (UK) Management Limited ("BlackRock"), Schroder Investment Management Limited ("Schroder"), CBRE Global Investment Partners ("CBRE") and Legal & General Assurance (Pensions Management) Limited ("LGIM"). Members can also pay Additional Voluntary Contributions ("AVCs"). The AVC assets have been managed during the year under review by Clerical Medical Investment Group Limited, Utmost Life & Pension Limited. The Scottish Friendly Assurance Society, LGIM and Phoenix Life. During the year, some AVC assets held with Utmost Life & Pension Limited and Clerical Medical Investment Group Limited were transferred to LGIM, following a review of these investments, and the Trustee decided that members would be better served by investment funds available via LGIM, where assets under the DC Section are invested.

The Trustee is responsible for determining the DB Section's investment strategy. The Trustee has set the investment strategy for the DB Section after taking appropriate advice. The Trustee has delegated the day-to-day management of investments to professional external investment managers. These managers, which are regulated by the Financial Conduct Authority ("FCA") in the United Kingdom, manage the investments within the restrictions set out in the Statement of Investment Principles ("SIP"). Subject to complying with the agreed strategy, which specifies the target proportions of the DB Section which should be invested in the principal market sectors, the day-to-day management of the asset portfolio of the DB Section, including the full discretion for stock selection, is the responsibility of the investment managers.

The main priorities of the Trustee when considering the investment policy for the DB Section are:

- To make sure that the obligations to the beneficiaries of the DB Section are met.
- To pay due regard to the Company's interest in the size and incidence of the employer's contribution payments.

The long-term investment strategy as at 31 March 2021 is to hold:

- 65% in investments that share characteristics with the long term liabilities of the DB Section. The strategy includes the use of government and corporate bonds, as well as derivative instruments.
- 35% in return seeking assets comprising UK, and overseas equities, diversified growth funds and property.

No significant changes were made to the DB Section's investment strategy during the year under review. However, the Scheme's Liability Driven Investment ("LDI") Porfolio was moved to LGIM's Enhanced LDI Services Agreement. This was implemented on 3 August 2020.

Full details of the DB Section's investment strategy as at the end of year can be found in the SIP.

Investment Principles

The Trustee has produced a SIP in accordance with Section 35 of the Pensions Act 1995, the Occupational Pension Scheme's (Investment) Regulations 2005 and subsequent legislation. A copy of the SIP is available on request.

TRUSTEE'S REPORT
Investment report (continued)
DB Section (continued)

The main objective of the Trustee in relation to the Scheme's DB assets is to invest the Scheme's assets such that members' benefits under the Scheme are met as they fall due and to act in the best interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of objectives to help guide them in the strategic management of the assets. These objectives are as follows:

- To optimise returns from investments over the long terms which are consistent with the long term assumptions of the Actuary in determining the funding of the Scheme
- To control the various funding risks to which the Scheme is exposed
- To achieve fully funded status on a low-risk liability basis
- To gradually switch to a low-risk investment strategy over time

During 2020, new legislation was introduced with the aim of improving transparency around pension scheme trustee engagement with asset managers in five key areas. The Trustee updated the SIP, to reflect its policies in these areas, during the year and made a copy available on a publically accessible website with effect from 1 October 2020.

The Myners Review and Code of Best Practice

The Myners principles codify best practice in investment decision making. While they are voluntary, pension fund trustees are expected to consider their applicability to their own fund and report on a 'comply or explain' basis how they have used them.

The principles were initially published in 2001 following a Government sponsored review of institutional investment by Paul Myners, which found shortcomings in the expertise and organisation of investment decision making by pension fund trustees.

In March 2008 the Government consulted on proposals to update the Myners principles. This led to the publication of a revised set of six principles for DB schemes in October 2008, together with the establishment of an Investment Governance Group ("IGG") to oversee the industry led framework for the application of the principles.

While there are now only six DB principles, in place of the original ten, their scope is largely unchanged. The principles continue to emphasise the essentials of investment governance, notably the importance of effective decision making, clear investment objectives and a focus on the nature of each scheme's liabilities. The principles also require that trustees include a statement of the scheme's policy on responsible ownership in the SIP and report periodically to members on the discharge of these responsibilities.

The Principles are intended to be the accepted code of best practice in governance and investment decision-making, with the Trustee using them to assess capability and practice against them. The Trustee considers that the DB Section's investment policies and implementation are in keeping with these principles.

Responsible Investment and Corporate Governance

The Trustee believes that environmental, social, and corporate governance ("ESG") factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.

TRUSTEE'S REPORT
Investment report (continued)
DB Section (continued)
Responsible Investment and Corporate Governance (continued)

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments. The Trustee has advised the Scheme's investment managers that they will be expected to vote on the Scheme's UK shares in accordance with the guidelines set down by the UK Stewardship Code and UK Corporate Governance Code. The investment managers have full discretion to vote in favour of actions outside these guidelines but will be expected to report to the Trustee with an explanation of their actions. The Trustee will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. The Trustee will review ESG ratings provided by Mercer and how each investment manager embeds ESG factors into its investment process. When appointing managers, the Trustee will also consider how the investment manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. The Trustee reviews the ESG rating provided by Mercer as part of the Scheme's regular quarterly performance reporting.

A change in ESG rating does not mean that the fund will be removed or replaced automatically. Managers will also be expected to report on their own ESG policies as and when requested by the Trustee.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

The Trustee does not take into account members' views on non-financial matters, including their ethical views, in the selection, retention and realisation of investments, given the difficulty in determining members' views and applying these to a single Scheme investment strategy. However, this position will be reviewed over time.

Investment Manager Appointment, Engagement and Monitoring

Aligning Manager Appointments with Investment Strategy

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The Trustee will seek guidance from the investment consultant, where appropriate, for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and are used in decisions around selection, retention and realisation of manager appointments.

The Trustee will review an appointment if the investment objective for a manager's fund changes to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

Where the Trustee invests in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then it will look to review the appointment.

TRUSTEE'S REPORT
Investment report (continued)
DB Section (continued)
Investment Manager Appointment, Engagement and Monitoring (continued)

Evaluating Investment Manager Performance

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year and 3 years (where available). The Trustee reviews the absolute performance and relative performance against a suitable index used as the benchmark, and against the manager's stated target performance objective (over the relevant time period) on a net of fees basis.

The Trustee's focus on long term performance but, as noted above, may review a manager's appointment if:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager or the team responsible;
- There is a change in the underlying objectives or process of the investment manager;
- There is a significant change to the investment consultant's rating of the manager.

Market Background

Investment Markets[1]

The period started with lockdowns across most large developed countries which led to an unprecedented collapse in quarterly GDP growth in Q2 2020. China, on the other hand saw a strong rebound in GDP growth as it began to reopen its economy following its lockdown earlier in the year. This mitigated the overall negative impact on global GDP growth to some extent. Late in the quarter, the sharp rebound previously seen in China became more global as western countries slowly started to reopen their economies. With economies largely open again, global GDP rebounded at record pace over Q3 2020.

Q4 2020 saw Covid-19 infections rising again sharply across western countries, leading to a gradual return of restrictions. The impact on quarterly GDP growth was less pronounced this time because GDP was at a lower level already than before the Covid-19 shock, whilst at the same time consumers and businesses were better prepared to function somewhat amid these restrictions. At the same time, the start of vaccines being rolled out late in the quarter led to optimism that fuller and more sustainable reopenings could be achieved in 2021.

The first quarter of 2021 began with lockdowns in numerous countries including the UK as much of the world faced another wave of Covid-19. Nevertheless, gradual vaccine rollout in developed countries drove economic recovery optimism. Political risk declined as Joe Biden was sworn in as US President, despite the incident on Capitol Hill on 6 January, and the UK completed its transition out of the EU without major incidents. Economic data continued to point towards a global recovery but with wide regional dispersions.

[1] Statistics sourced from Thomson Reuters Datastream unless otherwise specified.

TRUSTEE'S REPORT
Investment report (continued)
DB Section (continued)

Equity Markets[2]

At a global level, developed markets as measured by the FTSE World index, returned 39.9%. Meanwhile, a return of 40.8% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 34.9% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 26.7%. The FTSE USA index returned 42.7% while the FTSE Japan index returned 26.3%. The considerable underperformance of UK equities relative to global markets is attributed to the index's large exposure to oil, gas and basic materials which only started to benefit from a full recovery being priced in at the end of 2020.

The huge year-on-year returns can to a large degree be attributed to the base effect as the measurement period begins when equity markets had just touched bottom following the 2020 Covid-19 crash.

Equity market total return figures are in Sterling terms over the 12-month period to 31 March 2021.

Bonds[2]

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -5.5%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -10.4% over the year as the longer end of the nominal yield curve rose by more than the shorter end. The yield for the FTSE Gilts All Stocks index rose over the year from 0.7% to 1.2% while the Over 15 Year index yield rose from 0.8% to 1.3%.

The FTSE All Stocks Index-Linked Gilts index returned 2.3% with the corresponding over 15-year index exhibiting a return of 3.6%. Rising inflation expectations offset rising nominal yields to an extent, leading index-linked gilts to outperform their nominal counterparts over the year.

Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index returned 7.0%.

Bond market total return figures are in Sterling terms over the 12-month period to 31 March 2021.

Property[2]

UK property investors continued to benefit from the improving property market. Over the 12-month period to 31 March 2020, the IPD UK All Property Index returned 0.1% in Sterling terms. UK Property delivered negative total returns over Q1 2020 as many property fund have placed material uncertainty clauses on valuations.

Commodities

The price of Brent Crude Oil rose 181.1% from $22.60 to $63.52 per barrel over the one-year period. Over the same period, the price of Gold increased 5.7% from $1612.10 per troy ounce to $1704.74.

The S&P GSCI Commodity Spot Index returned 64.4% over the one-year period to 31 March 2021 in Sterling terms.

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[2] Statistics sourced from MSCI Investment Property Database.

TRUSTEE'S REPORT
Investment report (continued)
DB Section (continued)

Currencies

Over the 12-month period to 31 March 2021, Sterling appreciated by 6.5% against the US Dollar from $1.24 to $1.32. Sterling appreciated by 13.9% against the Yen from ¥133.86 to ¥152.46. Sterling appreciated against the Euro by 3.5% from €1.13 to €1.17 over the same period.

Asset Allocation

The Trustee invests in pooled investment vehicles. The Trustee has authorised the use of derivatives by the investment manager within the pooled funds for efficient portfolio management, liability hedging and currency hedging purposes. The Trustee has considered the nature, disposition, marketability, security and valuation of the DB Section's investments and considers them to be appropriate relative to the reasons for holding each class of investment. The following table provides a breakdown of the distribution of assets held by the DB Section (excluding AVCs):

	2021 (£m)	2020 (£m)
Return seeking assets		
Pooled equity investment vehicles	**66.6**	47.5
Pooled diversified growth vehicles	**91.1**	76.0
Property*	**0.0**	0.1
Liability Driven Investment ("LDI") Portfolio		
Pooled corporate bonds vehicles	**120.5**	117.5
Pooled liability driven investment vehicles (LDI)	**144.5**	134.9
Cash**	**3.1**	18.2
Total invested assets	**425.8**	394.2

Source: Investment managers and Mercer. Figures may not sum to total due to rounding.
Bid values shown where applicable.

* Property fund is being drawdown over time with proceeds paid to trustee bank account.
** Cash held in pooled investment vehicle, managed by LGIM.

TRUSTEE'S REPORT
Investment report (continued)
DB Section (continued)

The Trustee regards all the DB Section's main investments as readily marketable, as described below:

- The pooled equity investment vehicles, pooled corporate bond vehicles and pooled liability driven investment vehicles are weekly priced and traded;
- The LGIM Diversified Growth Fund is weekly priced and traded;
- The diversified growth vehicles managed by BlackRock and Schroder are daily priced and traded;
- The property fund is quarterly priced. Given the liquidity of the fund it is not traded on a frequent basis.

Investment Performance

The performance of the Scheme's assets compared with its benchmark excluding fees for periods to 31 March 2021 are shown in the table below:

	1 Year % per annum	3 Years % per annum	5 Years % per annum
Scheme	9.8	6.6	8.7
Benchmark	9.1	7.6	9.2

Performance figures are net of fees, estimated by Mercer and are based on performance provided by the investment managers and PandaConnect for the longer term performance figure.

Custodial Arrangements

The Trustee is responsible for ensuring the DB Section's assets continue to be securely held. The Trustee reviews the custodian arrangements from time to time and the Scheme Auditors are authorised to make whatever investigations it deems are necessary as part of the annual audit procedure.

For the DB Section's pooled fund investments, the Trustee has no direct ownership of the underlying pooled funds nor the underlying assets within the pooled funds. The policies, proposal forms, prospectuses and related principles of operation set out the terms on which the assets are managed. The safekeeping of the assets within the pooled funds is performed on behalf of the investment manager by custodian banks specifically appointed to undertake this function and whose appointment is reviewed at regular intervals by the manager. The current custodians are set out in the table below.

Manager	Custodian
BlackRock	Bank of New York Mellon
Schroder	Chase Nominees Ltd*
LGIM	Citibank N.A.** Liquidity: Northern Trust Fiduciary Services (Ireland) Limited
CBRE	RBC Investor and Treasury Services ***

* The DB Section's life fund holdings are held within a Life Company platform and therefore do not have a custodian. The DB Section holds a life policy with the respective managers. Legal title to the assets lies with the managers; therefore the managers retain responsibility to appoint a custodian and as such have appointed the companies listed as custodians of the assets of the Life funds held.
** LGIM decided to consolidate all its PMC assets into custody at Citibank during 2020. This is a change from the previous dual custodian model for PMC assets with HSBC (UK) and Citibank (non-UK), which.the consolidation of PMC assets into custody at Citibank is anticipated to be 100% complete until the second half of 2021.
*** Fund's administrator.

TRUSTEE'S REPORT
Investment report (continued)
DB Section (continued)

Employer Related Investments

Under the Pensions Act 1995 particular types of investment are classed as "employer-related investments" ("ERI"). Under laws governing ERIs not more than 5% of the current value of a scheme's assets may be invested in ERI (subject to certain specific exceptions). In addition, some ERI is absolutely prohibited, including an employer related loan or guarantee. In September 2010 the prohibition of ERI was extended to cover pooled funds. It should be noted that this prohibition does not cover pooled funds held in life wrappers, i.e. funds which are packaged in an insurance policy.

The Trustee reviews its allocation to employer-related investments on an on-going basis and is satisfied that as at 31 March 2021 the DB Section's assets in ERI does not exceed 5% of the market value of the DB Section's assets as no ERI were held as at this date. Consequently, the Trustee is comfortable that the DB Section complies with the legislative requirements. This will continue to be monitored going forward.

DC Section

Introduction

At the accounting year-end, the Scheme's DC assets are invested via the investment-only platform provided by Legal & General Investment Management ("LGIM").

The value of the policy is linked to the value of the underlying pooled funds available on the LGIM platform. The underlying managers of these funds may be changed from time to time at the Trustee's discretion.

The default lifestyle strategy, the BGPS Drawdown Lifestyle, is designed to provide long term real growth on member savings while subject to a level of investment risk that is appropriate for the majority of members who do not make active investment choices. Alongside this, two other lifestyle strategies are available to members and are appropriate for members who make a choice and wish to take their benefits at retirement as either annuity or cash; these are known as BGPS Annuity Lifestyle and BGPS Cash Lifestyle respectively.

TRUSTEE'S REPORT
Investment report (continued)
DC Section (continued)

The investment options available to members as at 31 March 2021 are shown here:

Funds	Active/Passive
BGPS Equity Fund*	Passive
BGPS Sterling Hedged World Equity Fund	Passive
BGPS Global (50:50) Equity Fund	Passive
BGPS World Equity Fund	Passive
BGPS UK Equity Fund	Passive
BGPS Emerging Markets Fund	Passive
BGPS Islamic Equity Fund	Passive**
BGPS Diversified Growth Fund	Active
BGPS Property Fund	Active
BGPS Future World Fund	Passive**
BGPS Corporate Bond Fund	Passive
BGPS Pre-Drawdown Fund***	Passive**
BGPS Index Linked Gilts Fund	Passive
BGPS Gilts Fund	Passive
BGPS Pre-Retirement Fund	Passive**
BGPS Retirement Income Fund	Active
BGPS Cash Fund	Active

*Fund only available as component of the lifestyle strategies.
**Fund incorporates some active management.
***Fund only available as component of the default BGPS Drawdown Lifestyle.

The BGPS Equity Fund is a bespoke blended fund consisting of 20% LGIM UK Equity Index Fund and 80% LGIM World (ex UK) Developed Equity Index - GBP Hedged.

The BGPS Diversified Growth Fund is a bespoke blended fund consisting of 50% LGIM Diversified Fund and 50% Insight Broad Opportunities Fund.

Investment Principles

The Trustee has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995 and subsequent legislation. As required under the Act the Trustee has consulted a suitably qualified person and has obtained written advice from Mercer Limited. A copy of the SIP is available on request. The SIP gives details of the objectives of each of the investment funds available in the DC Section, together with the underlying benchmarks used to measure performance.

The DC Section shares the principles of the Responsible Investment and Corporate Governance, Market Background, Custodial Arrangements, and Employer Related Investments with the principles outlined in the DB Section.

TRUSTEE'S REPORT
Investment report (continued)
DC Section (continued)

Investment Charges

Charges for the funds in the DC Section are paid through individual member accounts within the Scheme, via the L&G investment platform.

Asset Allocation

The Trustee has considered the nature, disposition, marketability, security and valuation of the DC Section's investments and considers them to be appropriate relative to the reasons for holding each class of investment. The following table provides a breakdown of the distribution of assets held by the DC Section and includes DB/AVC investments held (excluding those held with Clerical medical):

Fund	31 March 2021		31 March 2020	
	(£)	(%)	(£)	(%)
BGPS Equity Fund	30,908,791	44.1	21,192,763	36.9
BGPS Sterling Hedged World Equity Fund	121,759	0.2	146,670	0.3
BGPS Global (50:50) Equity Fund	1,313,611	1.9	1,070,445	1.9
BGPS World Equity Fund	1,215,708	1.7	1,069,986	1.9
BGPS UK Equity Fund	939,828	1.3	789,184	1.4
BGPS Emerging Markets Fund	342,917	0.5	280,138	0.5
BGPS Islamic Equity Fund	10,431	0.0	725	0.0
BGPS Diversified Growth Fund	22,239,283	31.7	19,834,056	34.5
BGPS Property Fund	172,907	0.2	280,976	0.5
BGPS Future World Fund	103,723	0.1	49,034	0.1
BGPS Corporate Bond Fund	525,397	0.8	542,567	0.9
BGPS Pre-Drawdown Fund	9,295,821	13.3	7,796,548	13.6
BGPS Index Linked Gilts Fund	72,772	0.1	91,298	0.2
BGPS Gilts Fund	11,284	0.0	158,906	0.3
BGPS Pre-Retirement Fund	1,808,146	2.6	2,376,286	4.1
BGPS Retirement Income Fund	62,642	0.1	138,123	0.2
BGPS Cash Fund	961,198	1.4	1,603,097	2.8
Total	**70,106,218**	**100.0**	57,420,802	100.0

Source: LGIM. Figures may not sum due to rounding. Figures are reported in mid value.

The Trustee regards all the investments of the DC Section as readily marketable, further noting that all funds offered are pooled investment vehicles, which are traded daily by the investment managers. During the Scheme year, the BGPS Property Fund was suspended and assets could not be traded. The suspension was in place from March 2020 to September 2020, whereby any contributions into the BGPS Property Fund were redirected to the BGPS Cash Fund whilst the BGPS Property Fund was not readily marketable. The BGPS Property Fund is now open again for trading.

TRUSTEE'S REPORT
Investment report (continued)
DC Section (continued)

Investment Performance

The table below shows the performance of the funds offered by the DC Section over the year to 31 March 2021. On 14 December 2018, members' holdings were transferred to a new fund range on the LGIM platform, so longer term performance is not available.

	Year to 31 March 2021	
	Fund (%)	Benchmark (%)
BGPS Equity Fund	45.5	45.9
BGPS Sterling Hedged World Equity Fund	49.8	50.2
BGPS Global (50:50) Equity Fund	33.3	33.4
BGPS World Equity Fund	38.5	38.8
BGPS UK Equity Fund	28.8	28.8
BGPS Emerging Markets Fund	40.4	40.6
BGPS Islamic Equity Fund	35.4	36.4
BGPS Diversified Growth Fund	17.5	20.3
BGPS Property Fund	1.6	2.5
BGPS Future World Fund	36.4	36.8
BGPS Corporate Bond Fund	4.2	4.5
BGPS Pre-Drawdown Fund	9.9	2.9
BGPS Index Linked Gilts Fund	-1.6	-1.5
BGPS Gilts Fund	-5.8	-5.7
BGPS Pre-Retirement Fund	2.6	3.1
BGPS Retirement Income Fund	15.7	3.6
BGPS Cash Fund	0.1	0.0

Source: LGIM. Net of investment management fees.

Over the 12-month period to 31 March 2021, developed equity markets returned 45.7% in sterling terms, as measured by the FTSE World index. Meanwhile, emerging markets equities returned 40.8% in sterling terms, as measured by the FTSE All World Emerging Markets index.

Gilts performed patchily over the 12-month period to 31 March 2021, with fixed interest gilts returning -10.4%, as measured by the FTSE Actuaries Over 15 Years Gilts index, and index linked gilts returning 2.6%, as measured by the FTSE Actuaries Over 5 Years Index Linked Gilts index. Over the same period, global bonds returned -7.0% in sterling terms, as measured by the BoAML Global Broad Market index.

TRUSTEE'S REPORT
Statement of Trustee's responsibilities

The Trustee's responsibilities in respect of the financial statements

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

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

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

The Trustee is also responsible for the maintenance and integrity of the Baxi Pensions website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

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

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

Approval

The Truste[redacted] by the Trustee and signed on its behalf:

Trustee.[redacted]

Name....MARK MAYLOR..   Date.......15 October 2021

FOR BESTRUSTEES LIMITED

ACTUARIAL CERTIFICATE

MERCER
MAKE TOMORROW, TODAY

CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Name of the Scheme	Baxi Group Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2018 to be met by the end of the period specified in the recovery plan.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 29 July 2019.

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

Signature	[redacted]
Name	Matthew Jones FIA
Date of signing	14 May 2020
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of employer	Mercer Limited
Address	Four Brindleyplace Birmingham B1 2JQ United Kingdom

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF BAXI GROUP PENSION SCHEME

Report on the audit of the financial statements

Opinion

In our opinion, Baxi Group Pension Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2021, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of Net Assets Available for Benefits as at 31 March 2021; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Scheme's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF BAXI GROUP PENSION SCHEME

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF BAXI GROUP PENSION SCHEME

Based on our understanding of the Scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed included:

- Testing of journals where we identified particular risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Reviewing estimates and judgements made in the preparation of the financial statements.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, contracts and agreements, and holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
~~30 September~~ 2021
18/10

FUND ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2021

All amounts in tables are in £ thousands unless otherwise stated

	Note	**2021 DB**	**2021 DC**	**2021 Total**	2020 DB	2020 DC	2020 Total
Contributions and other income							
Employer contributions		**15,502**	**4,139**	**19,641**	13,323	4,345	17,668
Employee contributions		**103**	**272**	**375**	164	242	406
Total contributions	5	**15,605**	**4,411**	**20,016**	13,487	4,587	18,074
Transfers in	6	**-**	**94**	**94**	-	86	86
Other income	7	**149**	**454**	**603**	152	145	297
		15,754	**4,959**	**20,713**	13,639	4,818	18,457
Benefits and other outgoings							
Benefits paid or payable	8	**16,300**	**1,515**	**17,815**	15,270	1,003	16,273
Payments to and on account of leavers	9	**5,643**	**3,222**	**8,865**	7,099	2,064	9,163
Administrative expenses	10	**1,196**	**-**	**1,196**	996	1	997
Other payments		**-**	**-**	**-**	1	-	1
		23,139	**4,737**	**27,876**	23,366	3,068	26,434
Net (withdrawals)/additions from dealings with members		**(7,385)**	**222**	**(7,163)**	(9,727)	1,750	(7,977)
Net returns on investments							
Investment Income	11	**66**	**1**	**67**	459	2	461
Change in market value of investments	12	**39,546**	**14,762**	**54,308**	13,456	(3,916)	9,540
Investment management expenses	13	**(413)**	**-**	**(413)**	(409)	-	(409)
		39,199	**14,763**	**53,962**	13,506	(3,914)	9,592
Net increase/(decrease)in the fund		**31,814**	**14,985**	**46,799**	3,779	(2,164)	1,615
Transfers between sections	14	**(108)**	**108**	**-**	18	(18)	-
Opening net assets		401,759	55,852	457,611	397,962	58,034	455,996
Closing net assets		**433,465**	**70,945**	**504,410**	401,759	55,852	457,611

The notes on pages 28 to 45 form part of these financial statements.

BAXI GROUP PENSION SCHEME
YEAR ENDED 31 MARCH 2021

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 MARCH 2021

All amounts in tables are in £ thousands unless otherwise stated

	Note	**2021 DB**	**2021 DC**	**2021 Total**	2020 DB	2020 DC	2020 Total
Investment assets							
Pooled investment vehicles	15	**425,771**	**70,143**	**495,914**	394,202	55,382	449,584
AVC investments	16	**2,791**	**-**	**2,791**	2,405	-	2,405
Total net investments		**428,562**	**70,143**	**498,705**	396,607	55,382	451,989
Current assets and liabilities							
Current assets	22	**5,467**	**1,037**	**6,504**	5,533	853	6,386
Current liabilities	23	**(564)**	**(235)**	**(799)**	(381)	(383)	(764)
Net assets available for benefits		**433,465**	**70,945**	**504,410**	401,759	55,852	457,611

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the defined benefit section, is dealt with in the report on actuarial liabilities on pages 6 to 7 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 28 to 45 form part of these financial statements.

The Financia[redacted] 45 were approved by the Trustee and signed on their behalf on;

Trustee ....[redacted]..........

Name.....MARK NAYLOR..........................
FOR BESTRUSTEES LIMITED

Date..........19 October 2021.....

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

The Scheme was established in 1960 and is governed by a Definitive Trust Deed and Rules dated 10 November 2003 (as subsequently amended).

In accordance with HMRC requirements the Scheme is registered under Chapter 2, Part 4 of the Finance Act 2004. As a consequence both employee and employer contributions are normally eligible for tax relief and income and capital gains earned by the Scheme receive preferential tax treatment.

The Scheme offers both defined benefits and defined contribution benefits for the staff of the Baxi Group and its subsidiary companies in the United Kingdom. The Defined Contribution (“DC”) section is open to all employees of the Baxi Group and its subsidiary companies in the United Kingdom upon meeting the entry requirements of the Scheme. The Defined Benefit (“DB”) section is closed to new members except for certain members of the DC section who retain an option to join the DB section.

2 Basis of preparation

The individual financial statements of Baxi Group Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by The Financial Reporting Council (“FRS 102”), and the guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” (Revised June 2018) (“the SORP”).

3 Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is Buck, 5th Floor, Temple Circus, Temple Way, Bristol BS1 6HG.

4 Accounting policies

The following principal accounting policies, which have been applied consistently, have been adopted in the preparation of the financial statements.

All amounts in tables are in £ thousands unless otherwise stated.

Contributions
Normal contributions, both from the members and from the employers, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to certain members by the Employers.

Additional voluntary contributions from the members are accounted for on an accruals basis, in the month deducted from the payroll.

Employers’ deficit funding contributions are accounted for on an accruals basis, in accordance with the due dates set out in the schedule of contributions.

Employers’ contributions towards expenses are accounted for on an accruals basis, in accordance with the due dates set out in the schedule of contributions.

NOTES TO THE FINANCIAL STATEMENTS

Benefits
Pensions in payment are accounted for in the period to which they relate.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Scheme as appropriate.

Transfers to and from other schemes
Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the Scheme. These are accounted for on an accruals basis, which is normally when cash is paid, or where the Trustee has agreed to accept the liability in advance of receipt of funds from the date of the agreement.

Administrative and other expenses
Administrative expenses, professional fees and investment management expenses are accounted for on an accruals basis.

Currency
The Scheme's functional currency and presentational currency is pounds sterling (GBP).

Investment income and expenditure
Income from any pooled investment vehicles which distribute income is accounted for on an accruals basis.

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

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis.

Valuation and classification of investments
Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

Where quoted or other unit prices are not available, the Trustee adopts valuation techniques appropriate to the class of investment.

The methods of determining fair value for the principal classes of investments are:

- Certain pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.
- Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end.

NOTES TO THE FINANCIAL STATEMENTS

- With profits insurance policies (including those held as AVC investments) are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.
- AVC investments are valued at the market value provided by the AVC provider at the year end date.
- Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.
- Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Critical accounting adjustments and estimates
There are no significant estimates or judgements.

5 Contributions

	2021 DB	**2021 DC**	**2021 Total**	2020 DB	2020 DC	2020 Total
Employer contributions						
Normal	**2,354**	**4,139**	**6,493**	2,449	4,345	6,794
Deficit	**12,315**	**-**	**12,315**	9,990	-	9,990
Expenses	**833**	**-**	**833**	884	-	884
	15,502	**4,139**	**19,641**	13,323	4,345	17,668
Employee contributions						
Normal	**18**	**8**	**26**	19	6	25
Additional voluntary	**85**	**264**	**349**	145	236	381
	103	**272**	**375**	164	242	406
Total contributions	**15,605**	**4,411**	**20,016**	13,487	4,587	18,074

Where participating employers offer salary sacrifice arrangements to their employees, these contributions are included in Employer normal contributions.

Deficit contributions paid in the year were in accordance with the Schedules of Contributions certified on 29 July 2019 and 14 May 2020. Under the Schedule certified on 29 July 2019, from August 2019 until July 2024 monthly amounts of £823,550, increasing annually in line with the increase in the Retail Prices Index, were payable, plus £191,667 per month from 1 October 2020 until 31 August 2024. For April and May 2020, however, deficit contributions were temporarily suspended due to the impact of the Covid-19 pandemic, which was ratified in a new Schedule of Contributions agreed on 14 May 2020. The new Schedule confirmed further payments are due at £844,962 per month from 1 June 2020 until 31 August 2024; plus £191,667 per month from 1 October 2020 until 31 August 2024; plus £281,654 per month from 1 October 2020 until 31 March 2021, to catch up the deferred contributions from April and May 2020. In addition to the amounts from 1 October 2020, further contingent amounts are due should the funding position be behind the expected position under the recovery plan. As the funding position at 31 March 2020 was below the target additional contributions were payable at £166,667 per month from 1 October 2020 to 31 March 2021.

The employers will meet the cost of insurance premiums in respect of death in service lump sum benefits.

The employers are also required to cover the cost of PPF Levy payments.

NOTES TO THE FINANCIAL STATEMENTS

6 Transfers in

	2021 DB	2021 DC	2021 Total	2020 DB	2020 DC	2020 Total
Transfers from other schemes	**-**	**94**	**94**	-	86	86

£30,146 of the DC transfers in relate to a transfer into the DC section on 1 July 2020 for four members previously in the Marley Primo Scheme, who transferred in during 2017 but have not been accounted for in the Scheme accounts until this year.

7 Other income

	2021 DB	2021 DC	2021 Total	2020 DB	2020 DC	2020 Total
Recharges for transfer calculations	**1**	**-**	**1**	2	-	2
Claims on term insurance policy	**148**	**454**	**602**	150	145	295
	149	**454**	**603**	152	145	297

8 Benefits paid or payable

	2021 DB	2021 DC	2021 Total	2020 DB	2020 DC	2020 Total
Pensions	**14,109**	**-**	**14,109**	13,258	-	13,258
Commutation of pensions and lump sum retirement benefits	**1,930**	**116**	**2,046**	1,745	54	1,799
Lump sum death benefits	**252**	**561**	**813**	241	165	406
Purchase of annuities on retirement	**-**	**96**	**96**	-	281	281
Uncrystallised lump sum benefits	**9**	**742**	**751**	26	503	529
	16,300	**1,515**	**17,815**	15,270	1,003	16,273

9 Payments to and on account of leavers

	2021 DB	2021 DC	2021 Total	2020 DB	2020 DC	2020 Total
Individual transfers to other schemes	**5,643**	**3,222**	**8,865**	7,099	2,064	9,163

10 Administrative expenses

	2021 DB	2021 DC	2021 Total	2020 DB	2020 DC	2020 Total
Administration and processing	**603**	**-**	**603**	360	-	360
Actuarial fees	**415**	**-**	**415**	461	-	461
Audit fees	**40**	**-**	**40**	38	-	38
Legal and professional fees	**103**	**-**	**103**	99	-	99
Trustee fees	**33**	**-**	**33**	27	-	27
Other	**2**	**-**	**2**	11	1	12
	1,196	**-**	**1,196**	996	1	997

11 Investment income

	2021 DB	2021 DC	2021 Total	2020 DB	2020 DC	2020 Total
Dividend distributions – CBRE	**62**	**-**	**62**	451	-	451
Interest on cash deposits	**3**	**-**	**3**	8	2	10
Other investment income*	**1**	**1**	**2**	-	-	-
	66	**1**	**67**	459	2	461

*Other investment income consists mainly of class action proceeds during the prior year from an aged investment.

12 Reconciliation of net investments

	Opening value at 1 April 2020	Purchases at cost	Sales proceeds	Change in market value	**Closing value at 31 March 2021**
Defined benefit section					
Pooled investment vehicles	394,202	67,464	(75,011)	39,116	**425,771**
AVC investments	2,405	180	(224)	430	**2,791**
	396,607	67,644	(75,235)	39,546	**428,562**
Defined contribution section					
Pooled investment vehicles	55,382	9,813	(9,814)	14,762	**70,143**

Indirect transaction costs may be incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It is not possible to quantify the level of indirect transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

13 Investment management expenses

	2021 DB	**2021 DC**	**2021 Total**	2020 DB	2020 DC	2020 Total
Administration, management and custody	**413**	**-**	**413**	409	-	409

14 Transfers between sections

	2021 DB	**2021 DC**	**2021 Total**	2020 DB	2020 DC	2020 Total
Net transfer in year	**(108)**	**108**	**-**	18	(18)	-

The transfer between the Defined Contribution and Defined Benefit Sections comprises the net amount of transactions, including contributions, investment purchases and investment disposals that were effected on behalf of the Defined Benefit Section through the Defined Contribution Section in the year.

15 Pooled investment vehicles

	2021 DB	**2021 DC**	**2021 Total**	2020 DB	2020 DC	2020 Total
Equities	**66,543**	**34,731**	**101,274**	47,494	23,905	71,399
Bonds	**120,494**	**646**	**121,140**	117,456	757	118,213
Diversified growth	**91,089**	**33,510**	**124,599**	75,949	28,859	104,808
Liability driven investment	**144,519**	**-**	**144,519**	134,920	-	134,920
Property	**33**	**173**	**206**	101	276	377
Cash	**3,093**	**1,083**	**4,176**	18,282	1,585	19,867
	425,771	**70,143**	**495,914**	394,202	55,382	449,584

At the 2021 year end all of the Scheme investments were considered to be marketable on a short term basis.

For the pooled DC funds held with Legal & General Assurance, the Scheme is the sole investor. The underlying funds are all Legal and General pooled investment vehicles.

NOTES TO THE FINANCIAL STATEMENTS

16 AVC investments

The Trustee holds assets invested separately from the main fund securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions ('AVCs'). Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movement in the year. The aggregate value of AVC investments split by With-profits and Unit linked funds is set out below:

	2021 DB	**2021 DC**	**2021 Total**	2020 DB	2020 DC	2020 Total
Clerical Medical – Stafflink (With-profits)	**6**	-	**6**	30	-	30
Utmost Life and Pensions (formerly Equitable Life Assurance) (With-Profits)	**38**	-	**38**	46	-	46
Utmost Life and Pensions (formerly Equitable Life Assurance) (Unit linked)	**-**	-	**-**	60	-	60
Phoenix Life (With profits)	**16**	-	**16**	16	-	16
Scottish Friendly Assurance (With-profits)	**62**	-	**62**	59	-	59
Legal and General (Unit linked)	**2,669**	-	**2,669**	2,194	-	2,194
	2,791	-	**2,791**	2,405	-	2,405

In the year ended 31 March 2021 the unit linked investments with Utmost Life and Pensions were transferred to Legal and General, in order to provide members with a better range of investment fund options, leaving only With-profits funds with Utmost.

17 Defined contribution assets

Defined contribution section investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment managers hold the investment units on a pooled basis for the Trustee. The Scheme administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Scheme and which relate to members leaving the Scheme prior to vesting.

Defined contribution assets are allocated to members and not allocated to members, and therefore available to the Trustee to apply as specified in the Scheme rules, as follows:

	2021 Total	2020 Total
Allocated to members	**70,143**	55,382
Not allocated to members	**-**	-
	70,143	55,382

NOTES TO THE FINANCIAL STATEMENTS

18 Fair value of investments

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

Level (1): The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level (2): Inputs (other than quoted prices included within level (1)) that are observable 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.

Pooled investment vehicles which are traded regularly are generally included in category (2). Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair value applies, valuation techniques are adopted and the vehicles are included in category (3).

The Scheme's investment assets and liabilities have been included at fair value within these categories as follows:

Category	**(Level 1)**	**(Level 2)**	**(Level 3)**	**2021 Total**
Defined benefit section				
Investment assets				
Pooled investment vehicles	**-**	**425,738**	**33**	**425,771**
AVC investments	**-**	**2,669**	**122**	**2,791**
Defined benefit section total	**-**	**428,407**	**155**	**428,562**
Defined contribution section				
Investment assets				
Pooled investment vehicles	**-**	**70,106**	**37**	**70,143**
Defined contribution section total	**-**	**70,106**	**37**	**70,143**
2021 Total	**-**	**498,513**	**192**	**498,705**

Analysis for the prior year end is as follows:

Category	(Level 1)	(Level 2)	(Level 3)	2020 Total
Defined benefit section				
Investment assets				
Pooled investment vehicles	-	394,101	101	394,202
AVC investments	-	2,254	151	2,405
Defined benefit section total	-	396,355	252	396,607
Defined contribution section				
Investment assets				
Pooled investment vehicles	-	55,106	276	55,382
Defined contribution section total	-	55,106	276	55,382
2020 Total	-	451,461	528	451,989

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks

Types of risk relating to investments

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed to at the end of the reporting year. These risks are set out by FRS 102 as follows:

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

Market risk: this is 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, each of which is further detailed as follows:

Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee has produced a Statement of Investment Principles (“SIP”) in accordance with Section 35 of the Pensions Act 1995. A copy of the SIP is available on request. The main objective of the Trustee is to invest the Scheme’s assets such that members' benefits under the Scheme are met as they fall due and to act in the best interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of objectives to help guide them in the strategic management of the assets. These objectives are as follows:

- To optimise returns from investments over the long term which are consistent with the long term assumptions of the Actuary in determining the funding of the Scheme
- To control the various funding risks to which the Scheme is exposed
- To achieve fully funded status on a low-risk liability basis
- To gradually de-risk to a lower risk investment strategy over time

DB Section
The DB Section has exposure to the above risks because of the investments it makes to implement its investment strategy. The Trustee manages its investment risks within agreed risk limits which are set taking into account the DB Section’s strategic investment objectives. The investment objectives and risk limits are implemented through the investment management agreements in place with the DB Section’s investment managers and monitored by the Trustee through regular reviews of the investment portfolios. The investment objectives and risk limits of the DB Section are further detailed in the Statement of Investment Principles (“SIP”).

Further information on the Trustee’s approach to risk management, credit and market risk is set out below. This does not include any legacy insurance policies nor Additional Voluntary Contribution (“AVC”) investments as these are not considered significant in relation to the overall investments of the DB Section.

(i) Investment Strategy
The main priorities of the Trustee when considering the investment policy for the Defined Benefit (“DB”) Section are:

- To make sure that the obligations to the beneficiaries of the DB Section are met.
- To pay due regard to the Company’s interest in the size and incidence of the employer’s contribution payments.

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks (continued)

DB Section (continued)
(ii) Market Risk
Credit risk

The DB Section is subject to indirect credit risk as it invests in fixed interest gilts, index-linked gilts and associated derivatives and the pooled corporate bond vehicle (which all form part of the pooled Liability Driven Investment ("LDI") vehicle). This risk is mitigated through investment in high-quality bonds which are at least investment grade and daily collateralisation of derivative contracts.

The DB Section also invests in funds which hold non-investment grade credit rated instruments via the diversified growth funds with a view to adding value and indirect credit risk is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer.

As at 31 March 2021, the pooled LDI vehicle represented 34.7% (2020: 38.9%) of the total investment portfolio, and the pooled corporate bond vehicle, which from 2020 is held within the LDI portfolio, represented 28.3% (2020: 29.8%).

The DB Section is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed as follows:

			Exposed to			
Fund	2021 £,000	2020 £,000	Currency Risk	Interest Rate Risk	Credit Risk	Other Price Risk
LGIM – UK Equity	7,861	6,410				✓
LGIM – Global Equity	29,074	21,129	✓		✓	✓
LGIM – Global Equity (hedged)	29,608	19,955	✓		✓	✓
BlackRock – DGF	31,477	26,624	✓	✓	✓	✓
Schroders – DGF	30,122	24,390	✓	✓	✓	✓
LGIM – DGF	29,490	24,935	✓	✓	✓	✓
CBRE – Property	33	101	✓			
LGIM – Corporate Bonds (within LDI portfolio from 2020)	120,494	117,456		✓	✓	✓
LGIM – LDI portfolio	144,519	134,920		✓	✓	✓
LGIM – Sterling Liquidity Fund	3,093	18,282		✓	✓	

*Based on information provided by the investment managers.

The Trustee has selected the above funds and has considered the indirect risks in the context of the investment strategy described here and in the Statement of Investment Principles.

Pooled investment arrangements

The DB Section's investments are held via pooled investment vehicles. Pooled investment arrangements used by the DB Section comprise unit linked insurance contracts and open ended investment companies. The DB Section is therefore directly exposed to credit risk arising from these pooled investment vehicles and is indirectly exposed to credit risks arising on the underlying investments held by these pooled investment vehicles.

The DB Section's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustee manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

19 Investment risks (continued)

DB Section (continued)

Pooled investment arrangements (continued)

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. Cash held by the pooled managers' custodians is ring-fenced where possible. Where this is not possible, the credit risk arising is mitigated by the use of regular cash sweeps (typically daily) and investing cash in liquidity funds.

Investments backing unit-linked insurance contracts are comingled with the insurer's own assets and direct credit risk is mitigated by capital requirements and the Prudential Regulatory Authority's regulatory oversight. In the event of default by the insurer, the DB Section may be protected by the Financial Services Compensation Scheme ("FSCS") and may be able to make a claim for at least 100% of its policy value, although compensation is not guaranteed. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

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

	2021 £'000	2020 £'000
Unit Linked insurance contracts	394,261	367,477
Open ended investment companies	31,510	26,725
Total	**425,771**	**394,202**

Currency risk

The DB Section is subject to indirect currency risk as the DB Section invests in sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currencies.

The currency risk exposures the DB Section faces are from the allocation to overseas equities and Diversified Growth Funds ("DGFs") (which consist of underlying investments across a range of asset class and regions, exposing the DB Section to indirect currency risk). The DGFs also use currency exposures as part of the managers' investment strategy to add value.

As at 31 March 2021, overseas equities represented 13.8% (2020: 10.4%) and DGFs 21.4% (2020: 19.3%) of the total investment portfolio.

Interest rate risk

The DB Section is subject to interest rate risk because some of the DB Section's investments are held in bonds and interest rate swaps through pooled vehicles, and cash. The Trustee has set targets for its exposure to interest rates, as part of its Liability Driven Investing ("LDI") investment strategy. Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The LDI portfolio is comprised of the pooled LDI vehicle and the pooled corporate bond vehicle. The Trustee has set a benchmark for the combined LDI portfolio of 65.0% of the total investment portfolio, with an equal split of 32.5% allocation to both vehicles. As at the 31 March 2021, the LDI portfolio was slightly underweight relative to its benchmark allocation, representing 63.0% of the total investment assets - the pooled LDI vehicle represented 34.7% (2020: 38.9%) of the total investment portfolio whereas the pooled corporate bond vehicle represented 28.3% (2020: 29.8%) of the total investment portfolio. The DB Section's current pooled LDI vehicle holding is overweight compared to the target allocations set out in the SIP and the pooled corporate bond vehicle is underweight, however the Trustee is comfortable with this and will look to rebalance as and when appropriate.

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks (continued)

DB Section (continued)

The Trustee also has an exposure to growth fixed income assets through diversified growth funds. The interest rate exposure that this asset class introduces is taken by the investment managers as part of its investment strategy to add value.

Inflation risk

The Scheme holds index-linked gilts and associated derivatives as part of the pooled LDI vehicle to manage against inflation risk associated with pension liability increases.

Other price risk

Indirect other price risk arises principally in relation to the DB Section's return seeking portfolio which includes equities, property and a range of asset classes within the diversified growth funds all invested via pooled vehicles. The Trustee has set target asset allocations of around 35% of assets being held in return seeking investments.

As at 31 March 2021, the return seeking portfolio represented 37.0% (2020: 31.3%) of the total investment portfolio.

DC Section
Investment Strategy

The Trustee recognises that members have differing investment needs and that these may change during the course of members' working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. The Trustee regards its duty as making available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs. The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such, the Trustee makes available a default option: the BGPS Drawdown Lifestyle strategy. The Statement of Investment Principles outlines the investment objectives and strategy for the DC Section assets of the Scheme.

The fund range offered to members is accessed through the investment funds platform provided by Legal & General Investment Management ("LGIM"). Therefore, the investment objectives and risk limits are implemented through LGIM and are monitored by the Trustee by regular reviews of the investment portfolios.

The majority of assets are invested in the BGPS Drawdown Lifestyle, which is composed of the following blended funds provided via the LGIM platform:

- BGPS Equity Fund
- BGPS Diversified Growth Fund
- BGPS Pre-Drawdown Fund

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks (continued)

DC Section (continued)
Investment Strategy (continued)

There is also a range of self-select funds for members to invest in, as follows:

- BGPS Sterling Hedged World Equity Fund
- BGPS Global (50:50) Equity Fund
- BGPS World Equity Fund
- BGPS UK Equity Fund
- BGPS Emerging Markets Fund
- BGPS Islamic Equity Fund
- BGPS Diversified Growth Fund
- BGPS Property Fund
- BGPS Future World Fund
- BGPS Corporate Bond Fund
- BGPS Index Linked Gilts Fund
- BGPS Gilts Fund
- BGPS Pre-Retirement Fund
- BGPS Retirement Income Fund
- BGPS Cash Fund

The day-to-day management of the underlying assets is undertaken by professional investment managers who are all authorised or regulated. The Trustee expects the investment managers to manage the underlying assets in line with the terms of their contracts, including the direct management of credit and market risks. The range of funds offered to members incorporates funds from a number of investment managers. The underlying investment managers have full discretion to buy and sell investments, subject to agreed constraints and applicable legislation. They have been selected for their expertise in different asset classes.

The Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds and furthermore, it is LGIM that has the direct relationship with the third parties offering the funds (and not the Trustee).

The Trustee monitors the underlying risks through quarterly investment monitoring reports. The Trustee's investment adviser, Mercer Limited, is available to provide help in monitoring the investment managers, both in the form of written reports and attendance at meetings as required by the Trustee.

Over the Scheme year, the BGPS Property Fund was suspended and assets could not go into or out of the fund. The suspension was in place from March 2020 to September 2020, whereby any contributions into the BGPS Property Fund were redirected to the BGPS Cash Fund whilst the BGPS Property Fund was not readily marketable.

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks (continued)
DC Section (continued)

Further information on the Trustee's approach to risk management, credit risk and market risk is set out below.

Credit Risk

The DC Section is subject to direct credit risk in relation to LGIM through its unit-linked insurance policy with LGIM, which it uses to access the Scheme's fund range as shown in the table below.

	2021 £'000	2020 £'000
Unit Linked insurance contracts	70,106	55,382
Total	**70,106**	**55,382**

LGIM is regulated by the Prudential Regulation Authority, the Financial Conduct Authority and maintains separate funds for its policy holders. In the event of default by LGIM, the DC Section is protected by the Financial Services Compensation Scheme and may be able to make a claim for up to 100% of its policy value, although noting that compensation is not guaranteed.

The DC Section is also subject to indirect credit risk arising from the underlying investments held in the funds. The risks disclosed here relate to the DC Section's investments as a whole. As members are able to choose their own investments from the range of funds offered, member level risk exposures will be dependent on the funds invested in by members.

The following funds were exposed to indirect credit risk as at the Scheme year-end:

- BGPS Diversified Growth Fund
- BGPS Property Fund
- BGPS Future World Fund
- BGPS Corporate Bond Fund
- BGPS Pre-Drawdown Fund
- BGPS Index Linked Gilts Fund
- BGPS Gilts Fund
- BGPS Pre-Retirement Fund
- BGPS Retirement Income Fund
- BGPS Cash Fund

NOTES TO THE FINANCIAL STATEMENTS
19 Investment risks (continued)
DC Section (continued)

Market Risk
The DC Section is subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the funds managed as follows:

			Exposed to			
Fund	2021 £,000	2020 £,000	Currency Risk	Interest Rate Risk	Credit Risk	Other Price Risk
BGPS Equity Fund*	30,909	21,125	✓		✓	✓
BGPS Sterling Hedged World Equity Fund	122	67	✓		✓	✓
BGPS Global (50:50) Equity Fund	1,313	965	✓		✓	✓
BGPS World Equity Fund	1,216	878	✓		✓	✓
BGPS UK Equity Index	940	709				✓
BGPS Emerging Markets Fund	343	227	✓		✓	✓
BGPS Islamic Equity Fund	10	1	✓			✓
BGPS Diversified Growth Fund	22,239	19,003	✓	✓	✓	✓
BGPS Property Fund	173	276		✓	✓	✓
BGPS Future World Fund	104	49	✓		✓	✓
BGPS Corporate Bond Fund	525	522	✓	✓	✓	✓
BGPS Pre-Drawdown Fund**	9,296	7,447	✓	✓	✓	✓
BGPS Index Linked Gilts Fund	73	87		✓	✓	✓
BGPS Gilts Fund	11	83		✓	✓	✓
BGPS Pre-Retirement Fund	1,808	2,306	✓	✓	✓	✓
BGPS Retirement Income Fund	63	53	✓	✓	✓	✓
BGPS Cash Fund	961	1,518		✓	✓	✓

*Fund only available as component of the lifestyle strategies.
**Fund only available as component of the default BGPS Drawdown Lifestyle.

The Trustee has selected the above funds and has considered the indirect risks in the context of the investment strategy described here and in the Statement of Investment Principles. The table above is purely DC L&G funds.

NOTES TO THE FINANCIAL STATEMENTS

20 Concentration of investments

Investments accounting for more than 5% of the net assets of the Scheme at the year end date were:

	Value 2021	**(%)**	Value 2020	(%)
Legal & General Fixed Interest Corporate Bonds Over 15 Years Fund	**120,494**	**23.9**	117,456	25.7
Legal & General 2037 Index Linked Gilt Fund	**35,478**	**7.0**	30,138	6.6
BlackRock Dynamic Diversified Growth Fund	**31,477**	**6.2**	26,624	5.8
Legal & General Baxi Equity Fund	**30,909**	**6.1**	21,125	4.6
Schroder Life Diversified Growth Fund	**30,122**	**6.0**	24,390	5.3
Legal & General World Ex UK GBP Hedged Fund	**29,608**	**5.9**	19,955	4.4
Legal & General Diversified fund	**29,490**	**5.8**	24,934	5.4
Legal & General World Equity Index Fund	**29,074**	**5.8**	21,129	4.6

All of the above investments are pooled investment vehicles which have multiple underlying assets, none of which exceeds 5% of the net assets of the Scheme.

21 Employer related investments

There were no direct or indirect employer related investments at the year end.

22 Current assets

	2021 DB	**2021 DC**	**2021 Total**	2020 DB	2020 DC	2020 Total
Contribution debtors – employers	**1,779**	**350**	**2,129**	1,200	340	1,540
Contribution debtors – employees	**1**	**1**	**2**	2	-	2
Contribution debtors – AVCs	**6**	**17**	**23**	13	18	31
Prepaid pensions	**4**	**-**	**4**	-	-	-
Life assurance claim debtor	**-**	**-**	**-**	-	108	108
Bank Interest due	**-**	**-**	**-**	1	-	1
Owing from DB section to DC section	**-**	**6**	**6**	-	6	6
Cash balances	**3,677**	**663**	**4,340**	4,317	381	4,698
	5,467	**1,037**	**6,504**	5,533	853	6,386

All contributions due to the Scheme at 31 March 2021 and 31 March 2020 were paid in full to the Scheme in accordance with the Schedules of Contributions, and therefore do not count as employer-related investments.

Included in DC cash balances is £512k (2020: £275k) which is not allocated to members. All other DC current assets are allocated to members.

NOTES TO THE FINANCIAL STATEMENTS

23 Current liabilities

	2021 DB	**2021 DC**	**2021 Total**	2020 DB	2020 DC	2020 Total
Unpaid benefit creditors	**67**	**229**	**296**	1	377	378
Amounts owing to Baxi Group Limited	**241**	**6**	**247**	250	6	256
Investment Manager Fees due	**105**	**-**	**105**	91	-	91
Tax due to HMRC	**141**	**-**	**141**	33	-	33
Owing from DB section to DC section	**6**	**-**	**6**	6	-	6
Due to Newmond Pension Plan	**4**	**-**	**4**			
	564	**235**	**799**	381	383	764

DC unpaid benefit creditors are allocated to members. All other DC current liabilities are unallocated.

Amounts owing to Baxi Group Limited comprise expenses paid on behalf of the Scheme and recoverable by the employer.

24 Related party transactions

Transactions with related parties of the Scheme comprise:

Key management personnel

- There were 9 Trustee Directors who were active members of the Scheme during the year, 1 of whom is now a deferred member. 1 Trustee Director is a retired member of the Scheme and is currently in receipt of a pension.

- Trustee fees paid in the year are disclosed in note 10. The Trustee represented by BESTrustees is Mark Taylor, who also received fees for related to the Newmond Pension Plan to the amount of £16,986 (2020: £23,049) in addition to those disclosed in note 10.

- At the year end, £10,116 (2020: £5,955) of the fees disclosed in note 10 remain outstanding for payment, and these are included within the amounts owing to Baxi Group Limited in note 23. £3,898 (2020: £5,955) of the above fees in relation to the Newmond Pension Plan remain outstanding at the year end.

NOTES TO THE FINANCIAL STATEMENTS

25 Contingencies and commitments

GMP Equalisation

On 26 October 2018, the High Court ruled that benefits provided to members who had contracted out of their Fund must be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 6 April 1997. In addition in November 2020 the High Court also ruled that past transfers out had to be equalised. Following the rulings, it is expected that the Trustee will need to amend the Scheme rules and equalise guaranteed minimum pensions between men and women. This will result in an additional liability for the Scheme. Based on the initial estimations performed by the Scheme actuary, the Trustee is not expecting the impact of this to be material to the financial statements and therefore have not included a liability in respect of these financial statements. They will be accounted for in the year they are determined.

Benefit Audit

The Trustee is undertaking a check of historic benefits to ensure they are paid in accordance with the Trust Deed and Rules. This project is on-going, and several issues have been identified. The Trustee considers the impact of these issues is unlikely to be material to the financial statements and, therefore, has not included a liability or asset in respect of them in these financial statements. Any adjustments to pensions paid will be accounted for in the year they are determined.

In the opinion of the Trustee the Scheme had no other contingent liabilities and no contractual commitments at 31 March 2021 (2020: Nil).

26 Covid-19

Since March 2020, Covid-19 has had a profound effect on domestic and global economies, with disruption and volatility in the financial markets. The Trustee, in conjunction with their advisers, monitors the situation closely and reviews any actions that are deemed to be necessary. This includes monitoring the employer covenant, the operational impact on the Scheme and the investment portfolio. The extent of the impact on the Scheme's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain.

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF BAXI GROUP PENSION SCHEME

Statement about contributions

Opinion

In our opinion, the contributions required by the schedules of contributions for the Scheme year ended 31 March 2021 as reported in Baxi Group Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Scheme actuary on 27 August 2019 and 14 May 2020.

We have examined Baxi Group Pension Scheme's summary of contributions for the Scheme year ended 31 March 2021 which is set out on the following page.

Basis for opinion

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

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

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

Auditors' responsibilities in respect of the statement about contributions

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

Use of this report

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
~~30 September~~ 2021
18/10

BAXI GROUP PENSION SCHEME
YEAR ENDED 31 MARCH 2021

SUMMARY OF CONTRIBUTIONS

All amounts are in £ thousands.

During the year, the contributions required to be paid to the Scheme were as follows:

	Employers DB	Employees DB	Total DB	Employers DC	Employees DC	Total DC
Normal contributions	2,354	18	2,372	4,139	8	4,147
Deficit contributions	12,315	-	12,315	-	-	-
Expense contributions	909	-	909	-	-	-
Contributions required by the schedules of contributions, as reported on by the Scheme auditors	15,578	18	15,596	4,139	8	4,147
Other contributions						
Reconciling expense contributions*	(76)	-	(76)	-	-	-
Additional voluntary contributions	-	85	85	-	264	264
Total as per fund account	**15,502**	**103**	**15,605**	**4,139**	**272**	**4,411**

*Reconciling contributions refer to prior year accrued expense contributions reduced on agreement of the new Schedule of Contributions on 14 May 2020.

Signed on behalf of the Trustee:

Trustee ...[redacted]...........

Name.....MARK TAYLOR.....................
FOR BESTRUSTEES LIMITED

Date......19 October 2021.........

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Baxi Group Pension Scheme ('the Scheme')

Annual Implementation Statement for the Year Ended 31 March 2021

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 31 March 2021. This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

Sections 2.1 and 2.2 of this statement sets out the investment objectives of the Scheme and changes which have been made to the SIP during the year to 31 March 2021, respectively.

Section 2.3 of this statement sets out how, and the extent to which, the policies in the Defined Benefit ("DB") Section and Defined Contribution ("DC") Section of the SIP have been followed. **The Trustee can confirm that all policies in the SIP have been followed in the year to 31 March 2021.**

A copy of the SIP is available at https://baxipensions.co.uk/downloads.

Sections 3, 4 and 5 include information on the engagement and key voting activities of the underlying investment managers within each Section of the Scheme.

2. Statement of Investment Principles

2.1. Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set.

DB The objectives for the DB Section of the Scheme specified in the SIP are as follows:

- To optimise returns from investments over the long term which are consistent with the long term assumptions of the Actuary in determining the funding of the Scheme.
- To control the various funding risks to which the Scheme is exposed.
- To achieve fully funded status on a low-risk liability basis.
- To gradually de-risk to a low-risk investment strategy over time.
- To provide a suitable range of investment funds for AVC contributions.

DC For the DC section of the Scheme, the Trustee's overall objective is to invest contributions in the best interests of members and their beneficiaries.

In addition to the principal objective as stated above and the investment objectives below, the Trustee:

- Believes that understanding the demographics and likely attitudes to risk/reward of the members are essential to developing and maintaining an appropriate investment strategy. It is also believed that members typically seek to optimise the value of their retirement benefits from a given level of contributions, while aiming to protect the value of those benefits in the years approaching retirement against market falls and fluctuations in the costs of turning fund values into retirement benefits / retirement income streams.

- Recognises that members may not believe themselves qualified to take investment decisions. As such the Trustee makes available a default investment option to members.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

The Trustee has received advice with regards to member needs throughout their working lives for the purposes of the default option and a set of strategic objectives have been agreed reflecting these needs.
The Trustee has the following investment objectives which are considered when selecting investment options related to the DC section of the Scheme:

- A full range of asset classes, including alternative asset classes;
- The suitability of different styles of investment management and the need for investment manager diversification;
- The suitability of each asset class within a defined contribution scheme; and
- The need for appropriate diversification.

2.2. Review of the SIP

During the year, the Trustee reviewed and amended the Scheme's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). A revised SIP was drafted during the year (dated September 2020) in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 to outline the Trustee's arrangements with its asset managers including:

- How the arrangements with the asset managers incentivises them to align their investment strategies and decisions with the Trustee's investment policies.
- How those arrangements incentivises the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of the asset managers' performance and the remuneration of asset managers are in line with the Trustee's investment policies.
- How the Trustee monitors "portfolio turnover costs" incurred by the asset managers.
- The duration of the arrangements with the asset managers.

DB The SIP was also updated during the year to reflect the agreed changes to the investment arrangements of the DB section following a review of the investment strategy. This encompassed the Trustee's objective of the Scheme's LDI Portfolio to increase the level of hedging in inflation and interest rate exposure from c.70% to the Scheme's funding level at 90% (at time of implementation) on the Scheme's Technical Provisions basis.

DC For the DC section, updates were made to reflect the creation of 'Additional Default' Funds (as defined by the Occupational Pension Schemes (Charges and Governance) Regulations 2015). Additional Default Funds are created when funds are mapped from one fund to another without members making an active choice. The changes were as follows:

- The consolidation of the additional default options into the BGPS Drawdown Lifestyle, in the first half of 2020. The BGPS Annuity Lifestyle and BGPS Cash Lifestyle were retained as Additional Default options.
- The creation of the BGPS Cash Fund Additional Default Option, following the suspension of the Threadneedle Property Fund (the underlying fund used by the BGPS Property Fund), in March 2020.

2.3. Assessment of how the policies in the SIP have been followed for the year to 31 March 2021

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP (dated September 2020), relating to the DB Section and DC Section of the Scheme.

The SIP is available at https://baxipensions.co.uk/downloads.

In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme year to 31 March 2021.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Investment Mandates

Securing compliance with the legal requirements about choosing investments

Policy

As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant. The policy is detailed in Section 1 (Introduction) of the SIP, which applies to the DB and DC Sections of the Scheme.

DB How has this policy been met over the year to 31 March 2021?

The Trustee made no changes to its appointed investment managers over the year to 31 March 2021. However, in July 2020, the Trustee obtained advice in relation to the suitability of an Enhanced Service Agreement to better manage the Scheme's LDI portfolio. This arrangement was implemented in August 2020.

If you are a DB Section member with Additional Voluntary Contributions ("AVCs"), further information on the transfer of your unit-linked AVCs from Utmost and / or Clerical Medical to LGIM can be found under the DC Section of this page.

DC How has this policy been met over the year to 31 March 2021?

In April 2020, the Trustee's Investment Consultant provided advice on the transition of the Scheme's Additional Voluntary Contributions ("AVCs") held in unit-linked funds held with Clerical Medical and Utmost Life & Pensions Limited (following the closure of the Equitable Life funds). It was recommended that these assets were moved to the Scheme's existing DC arrangements with LGIM. Members' AVCs that were invested with Utmost and Clerical Medical were transitioned to LGIM in Q2 2020. The DC arrangement with LGIM has been assessed as offering competitive fees.

Realisation of Investments

Policy

The Trustee's policy is that the Scheme's investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments. The Scheme's investment managers have responsibility for generating cash as and when required for benefit outgoings. The policy is detailed in Section 9 (Realisation of Assets) of the SIP, which applies to the DB and DC Sections of the Scheme.

DB How has this policy been met over the year to 31 March 2021?

Over the year, the Scheme held a diversified portfolio consisting mostly of readily-realisable assets. This included maintaining sufficient liquid assets to meet both short-term and longer-term cashflow requirements. The diversified growth funds managed by Schroders and BlackRock are daily priced and the remaining invested Scheme assets managed by LGIM are weekly priced.

The Trustee, taking advice from the Investment Consultant, have a cashflow policy process in place which is reviewed annually and a quarterly cashflow policy is agreed by the Trustee to ensure sufficient liquidity is available to meet cashflow requirements of the Scheme.

DC How has this policy been met over the year to 31 March 2021?

Members' investments within the DC Section are traded and priced on a daily basis.

It should be noted that the Threadneedle Property Fund (the underlying fund used by the BGPS Property Fund) was suspended during the Scheme year and that members were unable to invest or disinvest from this fund, however the Trustee is satisfied that this suspension was imposed to protect the interests of all investors in the fund.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Environmental, Social and Corporate Governance ("ESG")

Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

Policy

The Scheme's SIP outlines the Trustee's beliefs on ESG factors (including climate change). Further details are included in Section 7 of the SIP, which applies to the DB and DC Sections of the Scheme. The Trustee keeps its policies under regular review.

How has this policy been met over the year to 31 March 2021?

DB DC The Trustee reviews the ESG rating provided by Mercer as part of the Scheme's regular quarterly performance reporting. ESG ratings are also monitored as part of the annual Value for Member Assessment in respect of the DC Section.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments.

The Trustee does not require the Scheme's investment managers to take non-financial matters into account in their selection, retention and realisation of investments.

DC The DC Section of the Scheme currently offers members a specialist sustainable fund for members as a self-select option.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Voting Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

Policy

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the investment managers. Further details are set out in Section 7 (Policy on Socially Responsible Investment and Corporate Governance) of the SIP, which applies to the DB and DC Sections of the Scheme.

How has this policy been met over the year to 31 March 2021?

DB DC

The Trustee has given appointed investment managers full discretion in exercising voting rights and stewardship obligations attached to the investments. The Trustee expects that the Scheme's investment managers will vote on the Scheme's UK shares in accordance with the guidelines set down by the UK Stewardship Code and UK Corporate Governance Code and encourages them to exercise those rights on behalf of members' interests when they believe there could be a potential financial impact on the funds. The investment managers have full discretion to vote in favour of actions outside these guidelines but will be expected to report to the Trustee with an explanation of its actions. The Trustee will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

With the exception of CBRE, all of the Scheme's investment managers within the DB Section are currently signatories of the current UK Stewardship Code. The Scheme's investment manager within the DC Section (LGIM) is a signatory of the current UK Stewardship Code.

The Trustee does not use the direct services of a proxy voter.

Section 5 sets out a summary of voting activity and a sample of the most significant votes cast on behalf of the Trustee by the Scheme's investment managers with investments in equities.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Monitoring the Investment Managers

Incentivising asset managers to align its investment strategy and decisions with the Trustees' policies

Policy

The Trustee's policy is set out in Section 8.1 (Aligning Manager Appointments with Investment Strategy) of the SIP, which applies to the DB and DC Sections of the Scheme.

DB **How has this policy been met over the year to 31 March 2021?**

As the Trustee invests in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds. However, appropriate funds have been selected to align with the investment strategy.

DC **How has this policy been met over the year to 31 March 2021?**

As the Trustee invests in exclusively pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds.

Evaluation of the asset manager's performance and the remuneration for asset management services

Policy

The Trustee's policy is set out in Section 8.2 (Evaluating Investment Manager Performance) of the SIP, which applies to the DB and DC Sections of the Scheme.

DB **How has this policy been met over the year to 31 March 2021?**

Over the year to 31 March 2021, the Trustee received quarterly investment performance reports, which includes both quarter and longer-term performance metrics for all of the Scheme's investment mandates at both an asset class and investment manager level.

DC **How has this policy been met over the year to 31 March 2021?**

Over the year to 31 March 2021, the Trustee received quarterly investment performance reports which includes fund performance against their benchmarks over both quarter and longer-term periods. Performance is also considered as part of the annual Value for Members assessment.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Monitoring the Investment Managers

Monitoring portfolio turnover costs

Policy

The Trustee's policy is set out in Section 8.3 (Portfolio Turnover Costs) of the SIP, which applies to the DB and DC Sections of the Scheme.

DB **How has this policy been met over the year to 31 March 2021?**

As noted in the SIP, the Trustee does not explicitly monitor portfolio turnover costs with respect to the DB Section of the Scheme. Investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets).

DC **How has this policy been met over the year to 31 March 2021?**

Transaction costs are disclosed in the annual Chair's Statement and Value for Member Assessment. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager. There were no concerns raised in relation to transaction costs as part of the Value for Member assessment.

The duration of the arrangement with the asset manager

Policy

The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Further details of the Trustee's policy is set out in Section 8.4 (Manager Turnover) of the SIP, which applies to the DB and DC Sections of the Scheme.

DB **How has this policy been met over the year to 31 March 2021?**

Details of the strategic asset allocation are set out in the next section on 'Investment Structure' (page 5).

If you are a DB Section member with AVCs, further information on the transfer of your unit-linked AVCs from Utmost and / or Clerical Medical to LGIM can be found under the DC Section of this page.

DC **How has this policy been met over the year to 31 March 2021?**

No change in the investment manager was made during the year for the DC section with the exception of members' unit-linked AVCs which were previously invested with Utmost Life & Pensions and Clerical Medical and subsequently transitioned to LGIM in Q2 2020, providing members with access to a well governed range of funds with competitive fees.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Strategic Asset Allocation

Kind of investments to be held, the balance between different kinds of investments and expected return on investments

DB Policy

The Trustee's policy on the kind of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Investment Objectives and Strategy (SIP Section 3.1)
- Day-to-Day Management of the Assets (SIP Section 3.2)

How has this policy been met over the year to 31 March 2021?

No changes to the investment strategy were made over the year to 31 March 2021. The Trustee determine an investment strategy which is required to deliver an investment return assumed by the Scheme's Actuary for statutory funding valuation purposes. The Trustee monitor the Scheme's funding position on a quarterly basis to ensure that appropriate action is taken to manage the risks in the Scheme.

The Trustee assess the funding position of the Scheme as at 31 March and if at this assessment date, the funding position is in line or ahead of the Recovery Plan, the Trustee have a set of de-risking principles (agreed with the Sponsoring Employer) to gradually reduce the Scheme's allocation to risk-seeking assets.

The SIP was updated in 2020 to reflect the Trustee's objective of the Scheme's LDI Portfolio to increase the level of hedging in inflation and interest rate exposure from c.70% to the Scheme's funding level at 90% (at time of implementation) on the Scheme's Technical Provisions basis.

DC Policy

The Trustee's policy on the kind of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Investment Objectives and Strategy (SIP Section 4.1)
- Day-to-Day Management of the Assets (SIP Section 4.3)

The default investment strategy is designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach in so far as is practical, to meet the needs of the Scheme's members. The Trustee carries out regular assessments of the performance of the default investment strategy and its design to ensure it continues to remain appropriate for the membership.

The Trustee recognises that the default investment strategy will not met the needs of all members and as such, alternative investment options are available for members to choose from – including alternative lifestyle strategies and a range of self-select funds.

How has this policy been met over the year to 31 March 2021?

Over the year, the Trustee received investment performance reports on a quarterly basis from LGIM and its Investment Consultant which monitors the investment performance of the funds within the Lifecycle arrangements and the self-select funds, looking at the funds' performances against their benchmarks over both short and longer-term periods. Investment performance is reviewed by the Trustee at the quarterly DC Sub-committee Committee meetings.

The Trustee was satisfied with the performance of the funds over the Scheme year, which have performed in line with their underlying aims and objectives. As such, the Trustee is comfortable that the range of Lifestyle strategies and self-select funds remain appropriate for the Scheme's membership.

The Trustee considered the Future World Fund range in more detail over H2 2020, receiving information from the Investment Consultant and had agreed no changes to be made to the current Future World Funds available to members for investment.

The strategic asset allocation of the default investment arrangements in the DC Section are reviewed on a triennial basis. The date of the last review was July 2018. The next triennial review is due to be undertaken in the next Scheme year.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Strategic Asset Allocation

Risks, including the ways in which risks are to be measured and managed

DB **Policy**

The Trustee recognises a number of risks involved in the investment of the assets of the DB Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:

- Risk Management and Measurement (SIP Section 3.1.2)

The Trustee considers both quantitative and qualitative measures for a number of risks on an ongoing basis when deciding investment policies, strategic asset allocation, and the choice of asset classes, funds, and fund managers.

How has this policy been met over the year to 31 March 2021?

The Trustee received updates from its Investment Consultant on developments concerning the Scheme's DB investment managers. None of these updates resulted in any recommended changes to the DB arrangements.

During the year, the interest rate and inflation hedge ratios of the LDI portfolio were being achieved.

DC **Policy**

The Trustee recognises a number of risks involved in the investment of the assets of the DC Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:

- Risk Management and Measurement (SIP Section 4.2)

In determining which investment options to make available the Trustee considers the investment risk associated with DC pension investment. The risk can be defined as the uncertainty over the ultimate amount of savings available on retirement.

How has this policy been met over the year to 31 March 2021?

The Trustee received updates from the Investment Consultant on developments concerning LGIM. None of these updates resulted in any recommended changes to the DC arrangements.

DB DC The Trustee maintains a register of key risks, including investment risks. This rates the impact and likelihood of the risks and identifies mitigating factors and additional actions taken. The risk register is reviewed at Quarterly Trustee meetings and the risk ratings adjusted as required.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

3. Engagement Activity by the Scheme's Equity and Diversified Growth Fund Investment Managers

DB BlackRock's persistent engagement and vote escalation on compensation yields positive outcomes

A UK self-storage company showed a willingness to improve its compensation practices this year having had a string of votes against management on executive pay dating back to 2017. Following these votes and BlackRock's multi-year engagements with the company, including prior to the 2020 shareholder meeting, the company announced it would make changes to its compensation practices.

These changes were reflected in the management's updated compensation policy and long-term incentive Scheme, which BlackRock supported; both received nearly 98% shareholder support.

The company's revised remuneration policy incorporates changes in line with BlackRock's feedback.

BlackRock are encouraged that the company has evolved its remuneration policy and will monitor how it is implemented and reported in the company's next remuneration report.

DC DB LGIM engages with P&G on deforestation

LGIM has been supporting a shareholder proposal on the elimination of deforestation from Proctor & Gamble's (P&G) supply chain and encouraging the company to increase the percentage of the pulp it uses that is Forestry Stewardship Council (FSC) certified.

P&G uses forest pulp and palm oil as raw materials within its products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could.

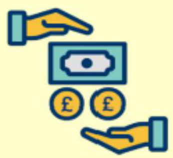
Therefore, a key priority issue for LGIM is to ensure that companies we invest our clients' assets in are not contributing to deforestation.

LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.

DB Schroders challenges Tesco board on executive pay

As has been widely covered in the news, the former chief executive of Tesco was awarded a £6.4 million pay package in May 2020, the biggest of any executive at the chain in almost a decade. Schroders have been questioning Tesco on remuneration issues since 2015. In 2018, they voted against its pay policy.

They had historically supported Tesco's executives being predominantly incentivised to increase total shareholder returns, and approved its remuneration package in 2017. But in 2018 Tesco shifted its remuneration policy to focus on earnings per share instead – something that Schroders felt was less aligned with the interests of shareholders.
Executive pay is influenced by Tesco's share performance relative to a custom list of rivals.



In 2020, Tesco removed Ocado from that custom list, with effect from May 2018. By doing so, Tesco's relative share performance notably improved, leading to a handsome benefit for company executives. The company explained that because Ocado was a technology provider rather than a company in the food and retail index it should no longer be considered a direct competitor.

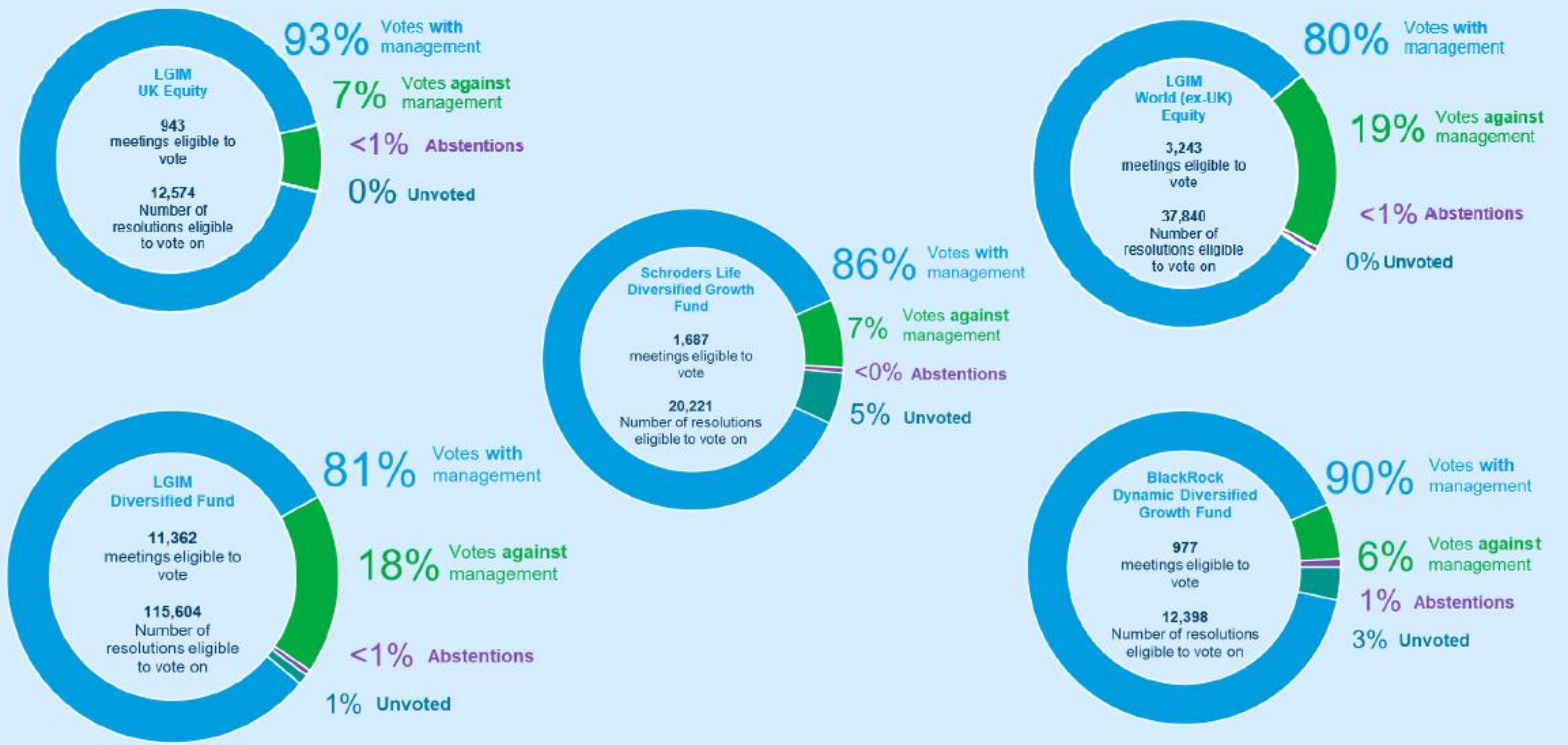
Executive remuneration performance criteria are approved by shareholders at the company's Annual General Meetings, so Schroders consider any retrospective changes a red flag. While Schroders would agree that Ocado has shifted away from being a retail-focused business, this technology strategy was actually announced prior to 2017 when the peer group was set.

However, the vote to approve the remuneration report was advisory rather than binding, meaning the former chief executive was still eligible for the boosted pay package.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

4. Voting Activity during the Scheme year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DB Section of the Scheme.



Voting data covering the period from 1 April 2020 to 31 March 2021.
Source: Investment managers, data may not sum due to rounding.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Sample of signficant votes DB

There is no official definition of what constitutes a significant vote; managers have adopted a variety of interpretations such as:

- There is a particular interest in a specific vote relating to an issue,
- The potential impact on the financial outcome,
- Size of the holding in the fund / mandate, and
- Whether the vote was high-profile or controversial.

✗ Resolution **not** passed ✓ Resolution passed

Manager	Fund	Company	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
LGIM[1]	UK Equity	International Consolidated Airlines Group	7 September 2020	Voted against the Remuneration Report proposed at the company's annual shareholder meeting.	In determining their vote, LGIM encouraged the board to demonstrate restraint and discretion with its executive remuneration.	✓
LGIM[1]	World Equity	.ExxonMobil	27 May 2020	Voted against the chair of the board at ExxonMobil's proposal to appoint a new director following on from LGIM's announcement that they will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying.	Due to recurring shareholder concerns, LGIM's voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.	✓
LGIM[1]	Diversified	Plus 500 Limited	16 September 2020	LGIM voted against approving the special bonus payment to the CFO.	At its AGM on 16 September 2020, the board of Plus500 recommended the approval of a substantial discretionary bonus offered to the CFO of around $1.2 million, for his successful work with Israeli tax authorities over a number of years, resulting in a significant tax-saving for shareholders. LGIM does not support one-off discretionary bonuses (or transaction bonuses) as these are not within the approved policy to reward the achievement of pre-set targets. Given the level of shareholder dissent, the resolution was withdrawn ahead of the AGM.	✗
BlackRock[2]	Dynamic Diversified	Delta Air Lines, Inc	18 June 2020	BlackRock voted with management and against the shareholder proposals for reports on Climate Lobbying and Political Contributions.	BlackRock voted against these proposals as the company is currently working on increasing its disclosure on political contributions and lobbying and has recently committed to becoming a carbon-neutral airline.	✗
Schroders[3]	Diversified Growth	Amazon.com, Inc	27 May 2020	Schroders voted against electing Director Jonathan J. Rubinstein	Schroders voted against management by taking active ownership to express ongoing concerns about labour standards within its warehouses and company responsiveness to shareholder concerns	n/a

Source: Investment managers.

[1] LGIM used a third party corporate governance data provider, Institutional Shareholder Services ("ISS"), to receive meetings notifications, provide company research and process its votes.

[2] BlackRock's Investment Stewardship team publishes vote bulletins after shareholder meetings to provide transparency for clients and other stakeholders on their approach to the key votes that they consider to be most significant, and thus require more detailed explanation.

[3] Schroder receives research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings.

n/a – outcome of vote not disclosed.

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Voting Activity during the Scheme year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Scheme. Funds where voting is not applicable are not included in the list below. With the exception of certain legacy AVCs invested, all DC investments are managed by LGIM.

Of the resolutions on which LGIM voted, LGIM abstained from less than 1% of eligible votes
Resolutions that LGIM did not for vote for which LGIM was eligible were less than 1%.

Source: LGIM

Extracts from LGIM's voting policy:

"LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually.

LGIM's Investment Stewardship team uses Institutional Shareholders Services' (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions."

APPENDIX:
ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Sample of signficant votes

DC

✗ Resolution **not** passed ✓ Resolution passed

Fund	Company	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Baxi Equity Fund	Qantas Airways Limited	23 October 2020	LGIM voted to approve the remuneration report.	LGIM supported the remuneration report given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the COVID-19 pandemic.	✓
Baxi Diversified Growth Fund	Whitehaven Coal	22 November 2020	LGIM voted to approve capital protection. Shareholders were asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.	LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets.	✗
Baxi Emerging Markets Fund	There were no significant votes to the Scheme over the year.				
Baxi UK Equity Fund	International Consolidated Airlines Group	7 September 2020	LGIM voted against the resolution to approve the remuneration report	LGIM were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders).	✓
Baxi World Equity Fund	Medtronic plc	11 December 2020	LGIM voted against to ratify named executive officers' compensation.	Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as they are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met.	✓
Baxi Global 50:50 Fund	Imperial Brands plc	3 February 2021	LGIM voted against approval of Imperial Brands plc remuneration report and policy.	LGIM were uncomfortable with the appointment of a significantly less experienced CEO, who was granted a significantly higher base salary than his predecessor.	✓
Baxi Future World Fund	Pearson	18 September 2020	LGIM voted against the amendment to the remuneration policy.	LGIM considered the amendment to be unusual and discussed the shortcomings of the remuneration policy with the chair of the board, given performance conditions were weak.	✓
Baxi Retirement Income	SIG plc.	9 July 2020	LGIM voted against a resolution to approve a one off payment of £375,000 to interim CEO for work carried out over a two-month period.	LGIM does not generally support one-off payments. The size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary.	✓
Baxi Sterling Hedged World Fund	The Procter & Gamble Company	13 October 2020	LGIM voted in favour of The Procter & Gamble Company's 'Report on effort to eliminate deforestation'.	LGIM decided to support the resolution, following a round of extensive engagement with Procter & Gamble on the concerns raised and proponents to the resolution.	✓

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

What is this Statement for?

It's important that you can feel confident that your savings in the Baxi Group Pension Scheme ("the Scheme") are being looked after and give good value. This Statement sets out how the Trustee Directors ("the Trustee") ensure this and how they have managed the Scheme in the last year and what they aim to do in the coming year.

A copy of this Statement, together with other key statements and information about how the Scheme is managed are posted on-line at www.baxipensions.co.uk.

What's in this Statement?

We've included information on the following areas in this Statement:

1. How we manage your Scheme – who the Trustee Directors are and what guides our decision making;
2. Investment options – what we have done to check the performance and suitability of the Scheme's investment options, especially those used by members who don't want to make an investment choice (known as the "default arrangements");
3. Investment performance - what returns have the investment options given over the last year;
4. Costs and charges – what costs and charges members have paid in the last year and how these might impact the size of a typical member's savings in the Scheme over time;
5. Value for Members - how the quality of the Scheme's services (including the investment returns on your savings), which members pay for, compare to other pension schemes.
6. Administration – how well the Scheme has been administered including how promptly and accurately key transactions (such as the investment of your contributions) have been processed;
7. Trustee knowledge and understanding – what we as Trustee Directors have done to maintain and improve our level of knowledge and obtain the professional advice we need to look after the Scheme for you; and
8. Completed and future actions – what key actions the Trustee took in the last year and what we aim to do in the coming year to continue to improve the Scheme for all our members.

What were the highlights from the last 12 months?

We can confirm to you that:

1 How we manage your Scheme

On 1 April 2020, Mark Taylor from BESTrustees Limited replaced Jim Smart (also from BESTrustees Limited) as Chairman of the Trustee. This was as a result of Jim Smart's retirement, after 5 years on the Trustee board.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

John McFaull was appointed as a new Trustee Director in June 2020, and Mark Larner ceased to be a Trustee Director in July 2020. Claire Carlin and Katie Wright were appointed as new Trustee Directors in February 2021 when Victoria Stuart stepped down from her role as a Trustee Director.

The Statement of Investment Principles (SIP), which sets out the Trustee's policies on how your contributions should be invested, was last reviewed on 29 June 2021 and agreed on 27 July 2021. As part of this last review, it was updated to reflect further regulatory requirements on Responsible Investment, due by 1 October 2020. You can find a copy of the SIP online at www.baxipensions.co.uk. The first implementation statement describing how the Trustee has followed its policies set out in the SIP has been published and can also be found online at www.baxipensions.co.uk.

At 31 March 2021 the Scheme had 2,414 members and was worth a total of £76.5 million.

2 Investment options

We completed an in-depth review of the Scheme's default arrangement in July 2018. We're satisfied that the default arrangement has performed in-line with our objectives and remains suitable for most members because the default arrangement still meets the objectives set out in the Statement of Investment Principles – see Section 2 for more details. The Trustee undertook a high-level review of the investment strategy on 25 August 2020. The next full review of the investment options will be carried out in September 2021.We also monitor investment performance on a quarterly basis.

There have been no changes to the investment options in the last year.

3 Investment performance

The last 12 months have been a challenging time for investment markets because of the uncertainty created by the COVID19 pandemic and the US Presidential election. Despite this, over the year to 31 March 2021 the funds used in the Scheme's default arrangement saw investment returns rise in value between 9.9% (or, put another way, by £99 for every £1,000 invested) for the BGPS Pre Drawdown Fund to 45.5% (or, put another way, a rise of £455 for every £1,000 invested) for the BGPS Equity Fund.

The investment returns produced by the funds were generally in line with the funds' objectives except for the BGPS Islamic Equity Fund, the BGPS Diversified Growth Fund, the BGPS Pre-Retirement Fund and the BGPS Property Fund which underperformed marginally. The Trustee has no concerns regarding these funds at this time.

4 Cost and charges

Members pay for the Scheme's investment charges while the Company pays for the Scheme's administration, communications, and governance services.

We monitored the costs and charges going out of members' pension pots during the last year:

The charges in the last year for the "default arrangement", the BGPS Drawdown Lifestyle, were in a range of 0.128% to 0.498% of the amount invested (or put another way in a range of £1.28 to £4.98 for every £1,000 invested) – which is well within the "charge cap" for auto-enrolment in our Scheme required by the Government of 0.75% (or put another way £7.50 for every £1,000 invested).

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

We have also looked at how the costs and charges taken out of a typical member's pension pot each year might affect its future size when they come to retire. Over a 20 year period, the current level of costs and charges for the Scheme's default arrangement, the BGPS Drawdown Lifestyle, could reduce the size of an average member's pension pot in today's money by around £7,500 leaving a pot size of around £107,000 at age 65. You can find more information about the impact of costs and charges in Appendix 3.

5 Value for Members

Each year we look at the costs and charges members pay as well as the range and quality of the services members pay for and see how they compare with similar pension schemes.

We found that the Scheme gave good value in the last year. Over the next year our main priority to improve value for you will be to continue to monitor investment performance and charges of the Scheme's current investment offerings and develop the scheme's ability to report on Environmental, Social and Governance (ESG) issues and climate related investment – see Section 2 for more details.

6 Administration

We check that the administration of the Scheme is going smoothly at our quarterly meetings and found that:

- All the key financial transactions were processed promptly and accurately by Buck who administer the Scheme for the Trustee; and
- For the majority of the year, the wider administration of the Scheme was completed within the service standards we agreed with Buck. 98.7%, 99.0%, 99.3% and 100.0% of all cases were completed within the service standards for Quarter 2, 3 and 4 of 2020 and Quarter 1 2021 respectively.

The COVID19pandemic inevitably affected the Scheme's services during the year while:

- Most of Buck's staff acclimatised to working from home and Buck dealt with increases in staff absences; and
- Trading in property funds was suspended because of the difficulty in fairly valuing properties. The BGPS Property Fund has since reopened.
- However, the impact on the members was felt to be minimal.

7 Trustee knowledge and understanding

It's important that we as Trustee Directors keep our knowledge of pension and investment matters up to date and have access to sound professional advice, and we undergo training to help us do this.

All of the Trustee Directors attended training sessions during the year on subjects such as cyber security, Implementation Statement reporting requirements, Chair's Statement reporting requirements, financial wellbeing, and pension scams. The new Trustee Directors received specific introductory training from the Scheme's advisers in April 2021. New Trustee Directors are also required to complete the Trustee Toolkit within 6 months of joining the Trustee Board. This has been completed by John McFaull, Claire Carlin and Katie Wright who are still within 6 months of joining at the time of writing. The Trustee Directors also completed a Trustee effectiveness, knowledge and understanding review during the year. Please see Section 7 for more details on the above.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

There have been no changes to the Trustee's advisers during the year.

Overall, the Trustee Directors believe that they still have the right skills and expertise together with access to good quality professional advice so that they can run your Scheme properly – this will be assessed again at the next Trustee effectiveness review.

8 Completed and future actions

During the last year we undertook the following (over and above "business as usual"):

- Regularly assessed fund fees, suitability and performance through input from the Scheme's DC investment adviser;
- Improved Value for Members by:
  - *Working closely with our advisers to produce engaging communications issued to members to help aid education on their benefits;*
  - *Entering into an agreement with the Legal & General ("L&G") WorkSave At Retirement Master Trust to help members access a drawdown arrangement at a competitive price at retirement;*
  - *Transferring members' AVCs held with Utmost Life and Clerical Medical to the L&G investment platform in July 2020.*
- Arranged for the publication of this Statement, together with the Statement of Investment Principles in a publicly searchable location on the internet with a note of this location in the annual benefit statements;
- Organised a Trustee Training Day on 12 January 2021 which covered training on defined contribution topics;
- Taken steps to rectify the BGPS Property Fund inadvertent default which was created as a result of the December 2018 transition where members who were not invested in the default arrangements were mapped to like-for-like funds without consent;
- Completed a review of the Trustee effectiveness, knowledge and understanding to ensure the Trustee continues to meet the standards needed; and
- Updated the Statement of Investment Principles to reflect the June 2019 Regulations on Responsible Investment which came into force on 1 October 2020.

In the coming year (which will be covered by the next Statement), we intend to carry out the following:

- Work with L&G to widen their reporting on responsible investing and how they vote at shareholder meetings;
- A full review on the suitability of the Scheme's investment options;
- Improve Value for Members by continuing to review the communications strategy to ensure communications remain current and user-friendly;

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

- Seek feedback from members on responsible investment;
- Undertake a high level Trustee Effectiveness Review;
- Complete our first implementation statement describing how we have followed the policies in the Scheme's SIP;
- Develop our arrangements for reporting on climate related investments;Consider whether value for money for members would be improved by transferring the assets to a Master Trust; and
- Review the Scheme's cyber security arrangements.

The Trustee believes that this work will help you get the best out of our Scheme.

We were unable to obtain some information on the Scheme – this is set out in the Missing information Section at the end of this Statement. We are chasing the fund managers for this missing information.

The rest of this Statement goes into more detail - please read on if you want to find out more about how we have managed your Scheme in the last year.

We hope this Statement is of help to you planning for your future. If you have any questions, please contact the Scheme Administrator (Buck, PO Box 319, Mitcheldean, GL14 9BF. T: 0330 123 9581, email: baxipensions@buck.com).

Introduction

The Scheme provides benefits on a defined contribution ("DC") basis. This means that your benefits will largely be based on the amount of contributions paid in and investment returns net of fees. Governance requirements apply to DC pension arrangements like the Scheme, to help members achieve a good outcome from their pension savings. The Trustee is required to produce a yearly statement describing how these governance requirements have been met.

This Statement covers the period from 1 April 2020 to 31 March 2021.

For the record
This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by subsequent regulations.

[redacted] Date: 19 October 2021

Mark Taylor, BESTrustees Limited

Signed by the Chair of the Trustee of the Baxi Group Pension Scheme

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

1 How we manage your Scheme

At 31 March 2021, the Trustee Directors of the Scheme were:

- BESTrustees Limited, represented by Mark Taylor
- Karen Roberts
- Diane Sutherland
- Katie Wright
- Claire Carlin
- Steve Randall
- Philip Lowton
- Simon Oliver
- John McFaull

Over the reporting year to 31 March 2021, Mark Larner stepped down from the Trustee Board in July 2020, Victoria Stuart stepped down in February 2021, and Kris Swiderski stepped down in March 2021. John McFaull was appointed as a new Trustee Director in June 2020. Claire Carlin and Katie Wright were appointed as Trustee Directors in February 2021. After the end of the reporting period, Karen Roberts stepped down from the Trustee Board in June 2021.

The Scheme is governed by a formal Trust Deed and Rules. The Trustee must operate the Scheme in accordance with the Trust Deed and Rules and the legal and regulatory regime. There were no amendments to the Trust Deed and Rules that apply to the DC Section of the Scheme, over the reporting period.

The Statement of Investment Principles (SIP) sets out the Trustee's investment policies which the Trustee, with the help of its advisers, review at least every three years. The last review was carried out on 29 June 2021 and the Statement was agreed on 27 July 2021. This updated SIP incorporates further requirements on Responsible Investment. You can find a copy of the SIP online at www.baxipensions.co.uk.

Over the year to 31 March 2021, the number of members grew from 2,353 to 2,414 while the total value of members' pension pots grew from £57.5 million to £76.5 million.

2 Investment options

Default arrangement (the BGPS Drawdown Lifestyle)

The Scheme's default arrangement, the BGPS Drawdown Lifestyle, is designed for members who join the Scheme and do not choose an investment option. The Trustee is responsible for the governance of the default arrangement, which includes setting and monitoring its investment strategy.

The Trustee decided that the default arrangement should be a lifestyle strategy, which means that members' contributions are automatically moved to less risky funds as they approach their selected retirement date.

The main investment objectives for the default arrangement are in outline:

- To provide better member outcomes at retirement while subject to a level of investment risk which is appropriate to the majority of members who do not make active investment choices.
- To manage the principal investment risks faced by an average member during their membership of the Scheme.
- To avoid making a decision for a member as to how they will use their savings at retirement. This will mean the fund invests in a blend of bonds, cash and diversified growth at retirement.
- To invest in funds which are expected over the long-term to deliver strong returns relative to inflation for members over 20 years from retirement.
- To progressively invest in funds which are expected over the long-term to deliver good returns relative to inflation, while seeking to control the level of volatility in fund values compared to equities, for members 10 to 20 years from retirement whose DC savings are expected by then to have grown to a size where the value at risk is material.
- During the last 10 years before retirement, to increasingly invest in lower risk funds which are expected to help mitigate fluctuations in the sizes of both members' fund values and the benefits members are likely to take at retirement.

The Statement of Investment Principles covering the default arrangement is appended to this Statement. It sets out the principles governing how decisions about investments are made. It explains the Trustee's policy on things such as choosing investments, risk and return and the extent to which we take account of ESG considerations when taking investment decisions. Please note that the Statement of Investment Principles covers all the Scheme's investments – the principles guiding the design of the default arrangement are set out on pages 8 to 12 and 23 to 25.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

The Trustee believes that the default arrangement is appropriate for the majority of the Scheme's members because:

– The Trustee has taken into account a number of factors including: members' projected pot sizes at retirement, contribution levels, the level of replacement income during retirement that members are likely to require and the likely return on investment after the deduction of charges payable on the funds used by the default option.

– The Trustee selected a lifestyle strategy targeting flexibility at retirement as the default arrangement as it reflects the option that is considered most likely to be appropriate for the majority of members who are unable to decide how they wish to take their retirement benefits or might take their benefits in a combination of ways and at different points in time. This option has a similar structure for members that would target income drawdown.

– The default arrangement manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default arrangement, the Trustee has explicitly considered the trade-off between risk and expected returns.

– Assets in the default arrangement are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. The majority of the Scheme's assets are invested in regulated products that trade mainly on regulated markets.

– The Trustee has taken into account the demographics of the Scheme membership and the Trustee's views on how the membership might behave at retirement.

The Trustee regularly monitors the investment performance of the default arrangement and formally reviews both the investment performance against the default arrangements' objectives and the suitability of the investment strategy at least every three years, or after significant changes to the Scheme's demographics, if sooner.

No full review of the performance and suitability of the default arrangement was due to be undertaken during the year. The last full review was completed on 12 July 2018. The next full review will take place during September 2021. There were no circumstances which required this review to be brought forward into this Scheme year.

The Trustee undertook a high-level review of the investment strategy on 25 August 2020. Following this high-level review, the Trustee was comfortable that the fund range already offered was suitable, it met the Trustee's strategic investment objectives and no changes were required.

The Trustee receives quarterly investment monitoring reports from its DC investment adviser to continually monitor investment performance. These reports include performance details and a risk and return analysis of whether the investment strategy meets the objectives for members at different stages in the default lifestyle strategy, which is updated with performance data every quarter.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Other default arrangements

In some circumstances (as a result of changing the investment options, or due to investment provider terms) a redirection of contributions to another fund may result in a fund becoming a default arrangement (which is subject to the 0.75% charge cap) for specific groups of members. We refer to this type of fund as an “inadvertent default”.

During the last investment transition in December 2018, members who were invested either in the previous Cash Lifestyle, the Annuity Lifestyle, or the self-select funds held with Columbia Threadneedle were moved to alternative like-for-like investments with Legal and General Investment Management (“LGIM”) i.e. the new BGPS Cash Lifestyle, BGPS Annuity Lifestyle, and new BGPS self-select funds, respectively.

Due to a clarification in Regulations, as members did not officially select these new investment options, the two lifestyles, as well as all the self-select funds became inadvertent default arrangements for specific members who were invested in them (and therefore subject to additional governance requirements, including complying with the charge cap). Over the previous reporting period, the Trustee undertook an exercise to rectify the inadvertent defaults, by writing to all members invested in them to ask them to actively select their investments, or otherwise be moved into the main default, the BGPS Drawdown Lifestyle. All the inadvertent defaults were rectified, with the exception of:

- The BGPS Cash Lifestyle
- The BGPS Annuity Lifestyle
- The BGPS Property Fund
- The BGPS Cash Fund

They are all reported as inadvertent defaults for the purpose of this Statement.

a. The BGPS Annuity Lifestyle and the BGPS Cash Lifestyle

For members invested 100% in either the BGPS Annuity Lifestyle or the BGPS Cash Lifestyle, the Trustee agreed that these lifestyles would be monitored as inadvertent default arrangements subject to the charge cap until the next full review of the default arrangement and investment strategy which is due to be carried out in September 2021.

The Trustee believes the previous investment options held with Columbia Threadneedle were adequate for the members invested in them, as most members had previously made an active selection to invest in the fund and consequently the asset class. However, the Trustee decided to move members’ investments from Columbia Threadneedle to the LGIM investment platform to benefit from lower charges, additional fund options and improved future proofing of assets. The Trustee believes the investment options members are now invested in with LGIM provide improved value for money when compared to the old options.

b. The BGPS Property Fund and the BGPS Cash Fund

In March 2020 the Threadneedle Property Fund, the underlying fund used by the BGPS Property Fund, was suspended as a consequence of the Coronavirus pandemic, because Threadneedle were unable to put a fair value on the properties held by the Fund. As a result, no money could be invested in the Fund or taken out of the Fund. Therefore, the BGPS Property Fund had to remain as an inadvertent default arrangement.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

The Trustee decided that all ongoing contributions into the BGPS Property Fund would be invested in the BGPS Cash Fund until the suspension on the Threadneedle Property Fund was lifted. During the period of suspension, the BGPS Cash Fund is also considered to be an inadvertent default arrangement for the members whose contributions would have been invested in the BGPS Property Fund, which were instead redirected to the BGPS Cash Fund temporarily.

In October 2020 the BGPS Property Fund suspension was lifted. Following the removal of the suspension, all future contributions were directed back to the BGPS Property Fund. Those contributions temporarily being held in the BGPS Cash Fund were moved to the BGPS Property Fund. As a result, the BGPS Property Fund and the BGPS Cash Fund are no longer inadvertent defaults. Members affected were written to at the time.

By 31 March 2021, the BGPS Annuity Lifestyle and the BGPS Cash Lifestyle remained as the only inadvertent defaults for charge cap purposes.

Other investment options

The Trustee recognises that the default arrangement will not be suitable for the needs of every member and so the Scheme also offers members a choice of other investment options including alternative lifestyle options and self-select funds. The main objectives of these investment options are:

- To cater for the likely needs of a wider range of members;
- To cater for members looking to take different benefits at retirement than those targeted by the default arrangement;
- To cater for members who believe that the risk profile of the default arrangement is not appropriate to their needs, but who do not want to take an active part in selecting where contributions are invested,
- To offer a wider range of asset classes, levels of risk and return and different investment approaches including ethical investment; and
- To support members who want to take a more active part in how their savings are invested by allowing them some flexibility in their selection of funds.

The Trustee carries out an in-depth review of the performance and suitability of these other investment options at least every three years. The last full review was completed on 12 July 2018 and a full review will be carried out during September 2021.

The Trustee undertook a high-level review of the investment strategy on 25 August 2020. Following this high-level review, the Trustee was comfortable that the fund range already offered was suitable, it met the Trustee’s strategic investment objectives and no changes were required.

The Trustee receives quarterly investment monitoring reports from its DC investment advisor.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

3 Investment Performance

Default arrangement

The last 12 months have been a challenging time for investment markets because of the uncertainty created by the COVID19 pandemic and the US Presidential election. Despite this, over the year to 31 March 2021 the funds used in the Scheme's default arrangement, the BGPS Drawdown Lifestyle, saw investment returns between a rise in value of 45.45% (or, put another way, a rise of £454.50 for every £1,000 invested) for the BGPS Equity Fund to a rise in value of 9.89% (or a rise of £98.90 for every £1,000 invested) for the BGPS Pre Drawdown Fund.

The investment performance of the funds used in the default arrangement during the year to 31 March 2021 net of costs and charges expressed as a percentage were:

Fund	1 year	1 year (per £1,000)
BGPS Equity Fund	45.45%	£454.50
BGPS Diversified Growth Fund	17.47%	£174.70
BGPS Pre Drawdown Fund	9.89%	£98.90

Source: Legal & General

When looking at these figures it should be borne in mind that the UK equity market rose by around 20% over the same period (by reference to the FTSE 100 index). It should be noted that these annual figures are much higher than would usually be expected. This is as a result of the bounce back in the economy following the initial fall across the investment market in Quarter 1 2020 following the outbreak of COVID-19.

The Trustee is satisfied that all funds used by the default arrangement have performed in line with their objectives.

Other default arrangements

BGPS Cash Lifestyle

The investment performance of the funds used in the BGPS Cash Lifestyle during the year to 31 March 2021 net of costs and charges expressed as a percentage were:

Fund	1 year (%)	1 year (per £1,000)
BGPS Equity Fund	45.45%	£454.50
BGPS Diversified Growth Fund	17.47%	£174.70
BGPS Cash Fund	0.06%	£0.60

Source: Legal & General

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

BGPS Annuity Lifestyle

The investment performance of the funds used in the BGPS Annuity Lifestyle during the year to 31 March 2021 net of costs and charges expressed as a percentage were:

Fund	1 year (%)	1 year (per £1,000)
BGPS Equity Fund	45.45%	£454.50
BGPS Diversified Growth Fund	17.47%	£174.70
BGPS Pre Retirement Fund	2.63%	£26.30
BGPS Cash Fund	0.06%	£0.60

Source: Legal & General

The Trustee is satisfied that all funds used by the other default arrangements have performed in line with their objectives.

More information

Investment returns for all funds over several periods of time to 31 March 2021 are shown in Appendix 4.

Further information on the funds, how they are invested and their investment performance during the year, can be found in the factsheets on the downloads section of the Scheme's website at www.baxipensions.co.uk.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

4 Costs and charges

The charges and costs borne by members or the Employer for the Scheme's services are:

Service	By members	By the Employer
Investment management	Yes	-
Investment transactions	Yes	-
Administration	-	Yes
Governance	-	Yes
Communications	-	Yes

The presentation of the charges and costs, together with the projections of the impact of charges and costs (both shown later in Appendices 2 and 3), takes into account the relevant statutory guidance issued by the Department for Work and Pensions.

The Trustee of the Scheme has followed the statutory guidance in all areas.

Charges

The charges quoted in this Statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day. The charges are deducted by the investment platform manager Legal & General before the funds' unit prices are calculated, and so are borne by members.

Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated, and so are borne by members. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The Financial Conduct Authority ("FCA") requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

The transaction costs shown in this Statement are those taken from funds while members are invested in them. The transaction costs shown here do not include any costs members may incur from time to time when buying or selling units in the Legal & General funds caused by the fund manager's unit price for a fund moving from a "bid" to "offer" basis (or vice versa) or any other "dilution levy" when units in that fund are bought or sold to protect the value of the fund for other investors.

Member-borne charges and transaction costs

The charges and transaction costs have been supplied by the Scheme's investment managers.

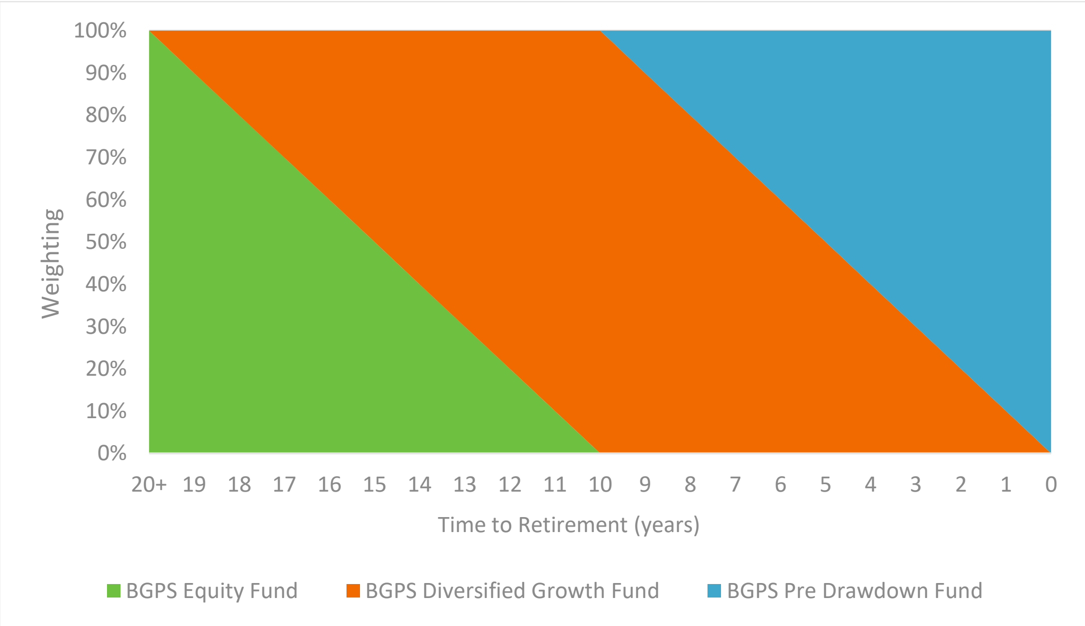
It was not possible to obtain the charges and transaction costs for some of the historic AVC funds. More details are given in "Missing Information" at the end of this Statement.

Default arrangements

The default arrangement, the BGPS Drawdown Lifestyle, is a "lifestyle strategy" which invests contributions in funds according to how far each member is from retirement. This means that the level of charges and transaction costs borne by members can vary from year to year depending on how close members are to their selected retirement age and in which fund they are invested at that time.

Default arrangement charges and transaction costs

BGPS Drawdown Lifestyle



During the year covered by this Statement the member-borne charges for the BGPS Drawdown Lifestyle default arrangement were in a range from 0.128% to 0.498% p.a. of the amount invested or, put another way, in a range from £1.28 to £4.98 per £1,000 invested.

The transaction costs borne by members in the default arrangement during the year were in a range from a saving of 0.045% to a cost of 0.203% p.a. of the amount invested or, put another way, in a range from a saving of £0.45 to a cost of £2.03 per £1,000 invested.

For the period covered by this Statement, the annualised charges and transaction costs are:

Period to retirement	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
20+ years	0.128%	£1.28	0.051%	£0.51
15 years	0.313%	£3.13	0.127%	£1.27
10 years	0.498%	£4.98	0.203%	£2.03
5 years	0.381%	£3.81	0.079%	£0.79
At retirement	0.263%	£2.63	-0.045%	-£0.45

Source: Legal & General

The average charge for the default arrangement, the BGPS Drawdown Lifestyle, over a 40 year savings period was 0.239% p.a.

The table in Appendix 2a gives the charges and transaction costs for each fund used by the BGPS Drawdown Lifestyle.

The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the BGPS Drawdown Lifestyle complied with the charge cap during the year covered by this Statement.

The following investment options (the BGPS Annuity Lifestyle, the BGPS Cash Lifestyle, the BGPS Property Fund and the BGPS Cash Fund) are also considered to be "default arrangements" for some members. More details are given in "Other default arrangements" in Section 2.

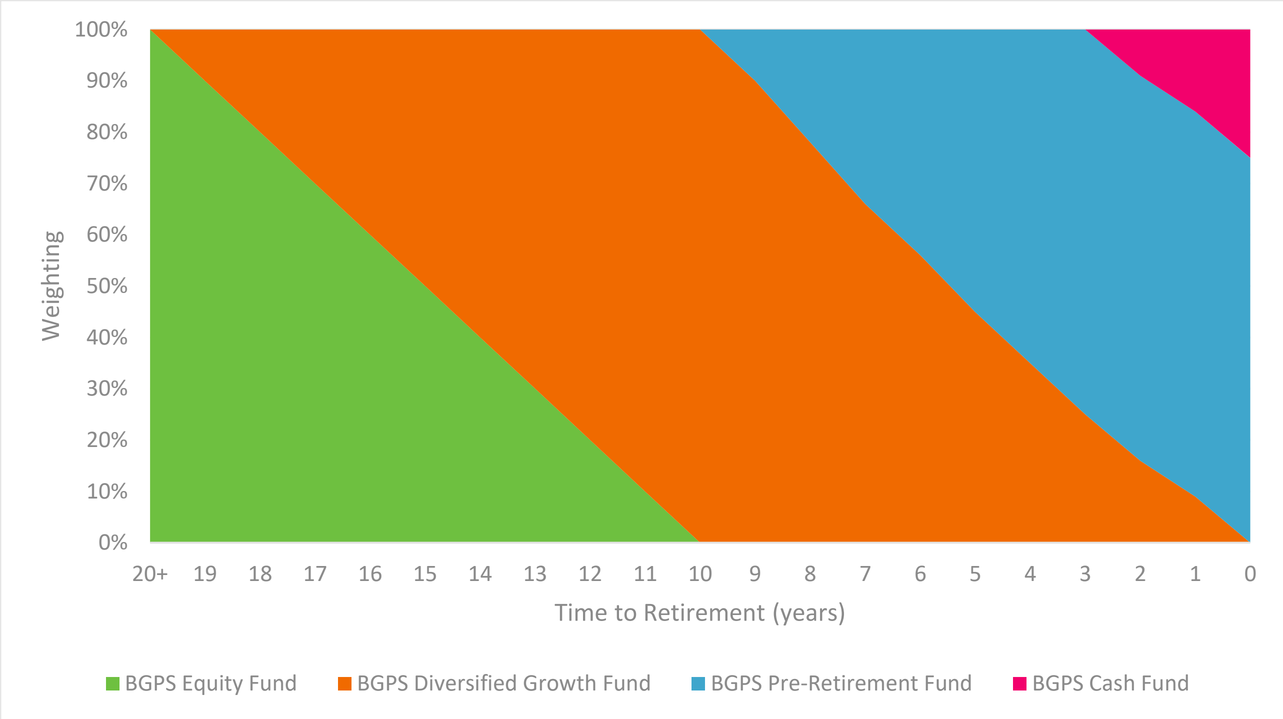
Inadvertent default arrangements' charges and transaction costs

Lifestyle options

BGPS Annuity Lifestyle

The BGPS Annuity Lifestyle is a "lifestyle strategy" which invests contributions in funds according to how far each member is from retirement. This means that the level of charges and transaction costs borne by members can vary from year to year depending on how close members are to their selected retirement age and in which fund they are invested at that time.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021



During the year covered by this Statement the member-borne charges for the BGPS Annuity Lifestyle were in a range from 0.128% to 0.498% p.a. of the amount invested or, put another way, in a range from £1.28 to £4.98 per £1,000 invested.

The transaction costs borne by members invested in the BGPS Annuity Lifestyle during the year were in a range from a saving of 0.011% to a cost of 0.203% p.a. of the amount invested or, put another way, in a range from a saving of £0.11 to a cost of £2.03 per £1,000 invested.

For the period covered by this Statement, the annualised charges and transaction costs are:

Period to retirement	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
20+ years	0.128%	£1.28	0.051%	£0.51
15 years	0.313%	£3.13	0.127%	£1.27
10 years	0.498%	£4.98	0.203%	£2.03
5 years	0.307%	£3.07	0.111%	£1.11
At retirement	0.147%	£1.47	-0.011%	-£0.11

Source: Legal & General

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

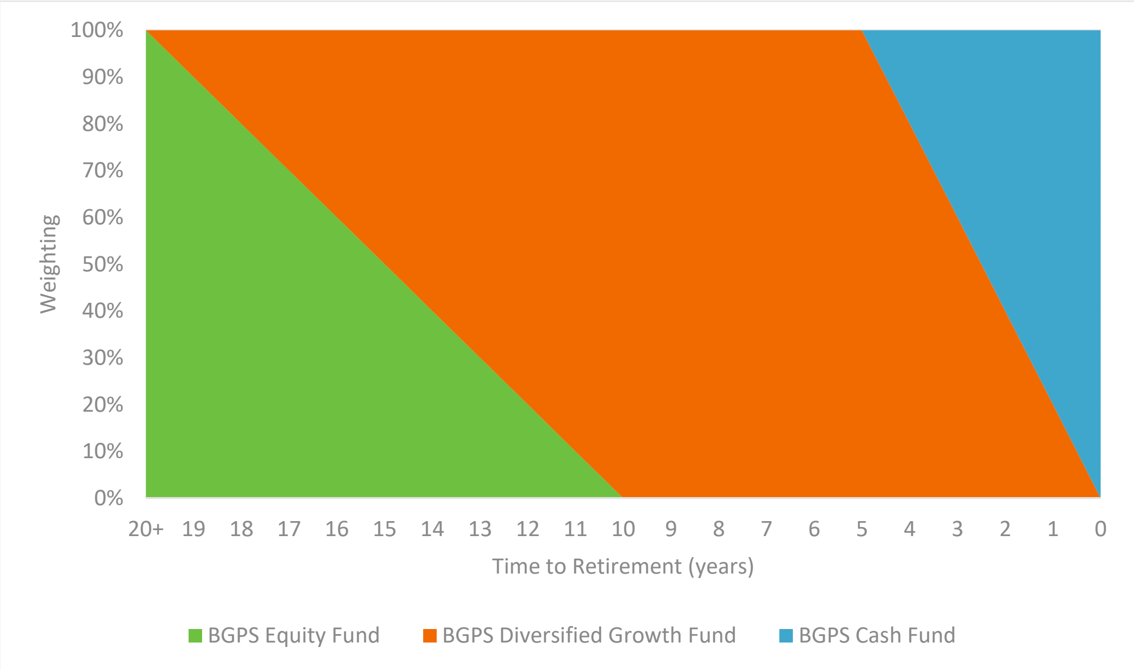
The average charge for the BGPS Annuity Lifestyle over a 40 year savings period was 0.221% p.a.

The table in Appendix 2b gives the charges and transaction costs for each fund used by the BGPS Annuity Lifestyle.

The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the BGPS Annuity Lifestyle complied with the charge cap during the year covered by this Statement.

BGPS Cash Lifestyle

The BGPS Cash Lifestyle is a "lifestyle strategy" which invests contributions in funds according to how far each member is from retirement. This means that the level of charges and transaction costs borne by members can vary from year to year depending on how close members are to their selected retirement age and in which fund they are invested at that time.



During the year covered by this Statement the member-borne charges for the BGPS Cash Lifestyle were in a range from 0.128% to 0.498% p.a. of the amount invested or, put another way, in a range from £1.28 to £4.98 per £1,000 invested.

The transaction costs borne by members invested in the BGPS Cash Lifestyle during the year were in a range from a saving of 0.150% to a cost of 0.203% p.a. of the amount invested or, put another way, in a range from a saving of £1.50 to a cost of £2.03 per £1,000 invested.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

For the period covered by this Statement, the annualised charges and transaction costs are:

Period to retirement	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
20+ years	0.128%	£1.28	0.051%	£0.51
15 years	0.313%	£3.13	0.127%	£1.27
10 years	0.498%	£4.98	0.203%	£2.03
5 years	0.498%	£4.98	0.203%	£2.03
At retirement	0.135%	£1.35	-0.150%	-£1.50

Source: Legal & General

The average charge for the BGPS Cash Lifestyle over a 40 year savings period was 0.244% p.a.

The table in Appendix 2b gives the charges and transaction costs for each fund used by the BGPS Cash Lifestyle.

The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the BGPS Cash Lifestyle complied with the charge cap during the year covered by this Statement.

Self-select funds – Inadvertent defaults

The following investment options are available to members via the self-select range. The BGPS Cash Fund and BGPS Property Fund were classified as inadvertent defaults during the year as described in Section 2.

During the year to 31 March 2021 the charges for BGPS Cash Fund were 0.135% of the amount invested or, put another way, £1.35 per £1,000 invested. The transaction costs borne by members in the BGPS Cash Fund during the year to 31 March 2021 were a saving of 0.150% of the amount invested or, put another way, a saving of £1.50 per £1,000 invested.

During the year to 31 March 2021 the charges for BGPS Property Fund were 0.69% of the amount invested or, put another way, £6.90 per £1,000 invested. The transaction costs borne by members in the BGPS Property Fund during the year to 31 March 2021 were 0.046% of the amount invested or, put another way, £0.46 per £1,000 invested.

The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the self-select funds which are classed as inadvertent default arrangements complied with the charge cap during the year covered by this Statement.

Self-select funds

During the year to 31 March 2021 the charges for the self-select funds were in a range from 0.050% to 0.690% of the amount invested or, put another way, in a range from £0.50 to £6.90 per £1,000 invested.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

The transaction costs borne by members in the self-select funds during the year to 31 March 2021 were in a range from a saving of 0.150% to a cost of 0.203% of the amount invested or, put another way, in a range from a saving of £1.50 to a cost of £2.03 per £1,000 invested.

The table in Appendix 2c gives the charges and transaction costs for each self-select fund.

Other investment options

Current Additional Voluntary Contributions ("AVCs")

The Scheme offers members in the defined benefit Section a choice of 15 funds for their AVCs which are open to future contributions. These are the same funds as the self-select funds in the DC Section of the Scheme. Members can also invest AVCs in the lifestyle strategies.

During the year the charges and transaction costs for the current AVC funds are as set out immediately above in the section headed Self-select funds.

Legacy Additional Voluntary Contributions ("AVCs")

The Scheme also held legacy AVCs during the period covered by this Statement, invested in both unit-linked and With Profits Funds. Legacy AVCs only relate to members of the defined benefit Section of the Scheme who have left service and no longer contribute to these arrangements.

Unit-Linked AVCs

The Trustee reviewed the legacy AVC arrangements on 20 February 2020. As part of this, the Trustee reviewed the charges and other features of the Clerical Medical and Utmost Life unit-linked funds to assess whether they offered good value for members. The Trustee concluded that members invested in unit-linked funds would receive better value from Legal and General rather than Clerical Medical or Utmost Life, in terms of fund charges, fund choice, consolidation under one provider and online access to their funds. Therefore, the Trustee agreed that the Clerical Medical and Utmost Life unit-linked AVCs would be transferred to the Legal and General investment platform where members can access the BGPS lifestyle strategies and self-select funds which are available to the DC Section of the Scheme.

The Trustee issued communications in May 2020 to members invested in unit-linked funds with Clerical Medical, as well as Utmost Life, to inform them of the transfer to Legal and General. A total of £61,224 was transitioned to Legal and General on 1 July 2020, from Clerical Medical. A total of £90,277 was transitioned to Legal and General on 3 July 2020, from Utmost Life.

With-Profits AVCs

Some legacy AVCs are invested in With Profits Funds with Clerical Medical, Phoenix Life, Utmost Life and Scottish Friendly.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

As part of the review of the legacy AVC arrangements on 20 February 2020, the Trustee decided not to transfer the members in the With-Profits Funds to Legal and General. It is difficult for the Trustee to assess the value for members of With-Profits Funds because investment returns, charges and costs are pooled across all policyholders, and each member will have a different perception of the value of the guarantees attached. The collective nature of With-Profits Funds means that it is not possible for the Trustee to improve value for members.

The Trustee agreed that whilst it would be better value for members invested in unit-linked legacy AVCs to be transferred to Legal & General, it would not be in the interest of members invested in the With Profits Funds to be transferred due to the nature of the guarantees, and therefore the Trustee believes With Profits Funds still provide value for members.

The Trustee will review the With Profits Funds again in three years' time, no later than 2023.

Charges and transaction costs for legacy AVCs

Clerical Medical

There are two types of policy held by Baxi members with Clerical Medical:67531 and 71732.

a. Clerical Medical Unit-Linked Funds

The level of member borne charges as well as the transaction costs for the funds under policy 67531, over the period 1 April 2020 – 31 March 2021 can be found below.

Fund	Charge % p.a.	Transaction Cost % p.a.
Clerical Medical UK Growth Pension	n/a	0.39%*
Clerical Medical UK Index-Linked Gilt Pension	n/a	-0.02%**
Clerical Medical Balanced Pension	n/a	0.44%
Clerical Medical International Growth Pension	n/a	0.36%

Source: Clerical Medical

*The transaction costs were provided for the period 1 February 2020 to 31 January 2021 rather than the reporting period 1 April 2020 to 31 March 2021. Clerical Medical have confirmed they would make the information over the reporting period available to the Trustee as soon as it is ready.

**The transaction costs were provided for the period 1 March 2020 to 28 February 2021 rather than the reporting period 1 April 2020 to 31 March 2021. Clerical Medical have confirmed they would make the information over the reporting period available to the Trustee as soon as it is ready.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Following the transition of the Clerical Medical legacy AVCs to Legal & General, the charges applicable to those transferred funds from 1 July 2020 to 31 March 2021 are in line with the Self-Select fund range available to the DC Section of the Scheme which can be found in Appendix 2c.

b. Clerical Medical With-Profits Fund

The transaction costs for the Clerical Medical With-Profits Fund over the period 1 April 2020 to 31 March 2021 can be found below.

Fund	Charge % p.a.	Transaction Cost % p.a.
Clerical Medical With Profits Fund	n/a	0.41%

Source: Clerical Medical

The charges for the reporting period are not available. The Trustee will keep requesting this information from Clerical Medical. The Principles and Practices of Financial Management for the Clerical Medical With Profits Funds state that there are no deductions for administration expenses other than the charges disclosed in the policy literature, as well as the costs related to buying, selling and holding assets. There is an additional charge for guarantees which depends on past and future performance of the assets, as well the overall level of money invested in and withdrawn.

Phoenix Life

The Phoenix Life AVCs are invested in the London Life Pension Traditional With Profits – V1 fund.

During the period 1 January 2020 to 31 December 2020, the level of member borne charges expressed a “Total Expense Ratio” borne by members was 1% and the transaction costs were 0.54%. The information over the Scheme reporting period has not been made available by Phoenix yet. The Trustee will keep requesting this information.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Utmost Life

a. Utmost Life Unit-Linked Funds

During the period 1 April 2020 to 2 July 2020, the level of charges (expressed as a “Annual Management Charge” and “Transaction Cost”) borne by members applying to funds used in Utmost Life unit-linked policies were:

Fund	Annual Management Charge* % p.a.	Transaction Cost % p.a.
UK FTSE All Share Tracker	0.50%	0.11%
Asia Pacific Equity	0.75%	0.43%
Managed	0.75%	0.13%
UK Equity	0.75%	0.54%
European Equity	0.75%	0.47%
Global Equity	0.75%	0.28%
Fund of Investment Trusts	0.75%	0.38%
Money Market	0.50%	0.00%
US Equity	0.75%	0.18%
Property	1.00%	0.00%

Source: Utmost Life

Following the transition of the Utmost Life AVCs to Legal & General, the charges applicable to those transferred funds from 3 July 2020 to 31 March 2021 are in line with the Self-Select fund range available to the DC Section of the Scheme which can be found in Appendix 2c.

b. Clerical Medical With-Profits Fund held with Utmost Life

The Annual Management Charge for the Clerical Medical With-Profits Fund over the reporting period was 0.50%. The transaction costs over the period 1 October 2019 to 30 September 2020 was 0.33%. Utmost have confirmed that the Fund has its own reporting cycle and account year end and as such, transaction costs cannot be provided for the request period. As such the Trustee are comfortable that this period represents the closest to the actual Scheme year. The Trustee will attempt to request the information for the full Scheme year next year.

Scottish Friendly

The Scottish Friendly AVCs are invested in the Scottish Friendly With Profits Fund.

Scottish Friendly confirmed that for conventional pension policies, charges are not explicit but factored into the guaranteed sum assured given at outset. Any rates of bonus are declared after allowing for the deduction of charges.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

The charges and transaction costs for With Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. This is because the With Profits Fund is a conventional pension policy. As a result, it is not possible to determine the exact charges and costs borne by members.

Scottish Friendly have also confirmed to the Trustee in 2019 that they were looking to build a process to report transaction costs and charges in line with the FCA requirements, however they did not have those values at the time of writing. The Trustee will keep requesting the missing information from Scottish Friendly.

The table in Appendix 2d gives the funds' charges and transaction costs for the legacy AVC funds.

Money Purchase Underpin

Some members in the defined benefit Section of the Scheme have a money purchase underpin to their benefits. This only applies to members of the NPP and IMI sections within the DB Section of the Scheme.

The underpin was not triggered in respect of any members during the period covered by this Statement. It is not expected to apply to any members in practice, either now or in the future.

Impact of costs and charges - illustration of charges and transaction costs

The Trustee has asked the Scheme's DC advisers to illustrate the impact over time of the costs and charges borne by members.

These illustrations show projected fund values in today's money before and after costs and charges for a typical member at several stages up to retirement for a selection of funds and with a contribution rate of 9%.

The tables in Appendix 3 to this Statement show these figures for the following investment options, together with a note of the assumptions used in calculating these illustrations.

- The default arrangement, the BGPS Drawdown Lifestyle; as well as
- Two alternative lifestyle options:
    - The BGPS Annuity Lifestyle
    - The BGPS Cash Lifestyle
- Three funds from the Scheme's self-select fund range :
    - One of the most popular self-select funds – the BGPS UK Equity Fund;
    - A fund with one of the highest expected returns (before costs), and also what the Trustee considers to be a high-risk fund – the BGPS Emerging Markets Fund; and
    - A fund with one of the lowest expected returns (before costs), and also what the Trustee considers to be a low-risk fund – the BGPS Cash Fund.

The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

As an example, for a member who joined the default arrangement at age 45, the level of charges and costs seen in the last year would reduce, by £7,600, their projected pot value at retirement in today's money from c£114,900 to c£107,300.

Notes on illustrations

- These illustrated values are not guaranteed and may not prove to be a good indication of how your own savings might grow;
- The transaction cost figures used in the illustrations are those provided by the managers over a two year reporting period i.e. the last two full years since the funds were implemented with L&G;
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

Please see the notes to the tables in Appendix 3 for the assumptions used in calculating these illustrations.

5 Value for Members

Each year, with the help of their advisers, the Trustee carries out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good Value for Members. Value is not simply about low cost – the Trustee also considers the quality and scope of provision compared against similar schemes and available external benchmarks.

Approach

The Trustee adopted the following approach to assessing Value for Members for the last year:

- Services – considered the investment, administration and communication services where members bear or share the costs;
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;
- Comparison – the cost and quality of each service were compared against similar schemes and available external comparisons;
- Rating – each service was rated on the below basis.

Results for the Year ended 31 March 2021

The Scheme gave **Good** Value for Members in the year ended 31 March 2021.

The rating criteria used in the assessment were:

Rating	Definition
Excellent	The Trustee considers the Scheme offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.
Good	The Trustee considers the Scheme offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.
Average	The Trustee considers the Scheme offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.
Below average	The Trustee considers the Scheme offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.
Poor	The Trustee considers the Scheme offers poor value for members providing services within the bottom 20% quality/cost range compared with typical options for similar schemes.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Rating rationale

The members only pay for Investment services. The rationale for the rating of the investment services was in outline:

Service and weighting	Rating	Rationale
Investment 100%	**Good**	The Scheme's investments are held with the Legal & General Investment Management ("LGIM") investment only platform. The default arrangement was well under the 0.75% p.a. charge cap requirement. In the BGPS Drawdown Lifestyle, charges range from 0.128% p.a. (during the growth phase), 0.498% p.a. (during the consolidation phase) to 0.263% p.a. (at the end of the de-risking phase). Over a 40-year saving period the average charge for the BGPS Drawdown Lifestyle default has decreased to 0.239% p.a. This is a small decrease of less than 0.01% from the previous year. The Trustee notes that this still compares well to the 2020 DWP pensions survey average charge of 0.28% p.a. for a trust based qualifying scheme with more than 1,000 members. The self-select fund charges range from 0.05% p.a. to 0.69% p.a. which the Trustee believes offers good value. In the BGPS Drawdown Lifestyle the transaction costs range from a saving of 0.045% p.a. to a cost of 0.203% p.a. depending on how far from retirement the member is. For the self-select funds, the transactions costs borne over the reporting period were in a range from a saving of 0.150% p.a. to a cost of 0.203% p.a. The Trustee provides two alternative lifestyle arrangements and 15 funds for the membership to self-select. The self-select range includes both an ESG tilted fund and an Islamic fund, further enhancing value for members. The Trustee considers that this is a suitable range of self-select funds given membership characteristics. The Trustee and its DC investment adviser continue to monitor charges and receive quarterly detailed investment reports. Yearly performance for most funds remains competitive against respective benchmarks (after fees) with the exception of the BGPS Diversified Growth Fund, the BGPS Property Fund, the BGPS Islamic Equity Fund and the BGPS Pre Retirement Fund. There are no concerns in terms of performance for these funds and the Trustee will keep monitoring performance over the next reporting period. One year performance has been particularly strong. This is as a result of the bounce back in markets following the fall in global markets in Q1 2020 following the outbreak of the COVID-19 pandemic. The Trustee will continue to monitor the funds' performance. The Trustee undertook a review of its unit-linked AVC arrangements during the Scheme year and decided that unit-linked investments held with Utmost and Clerical Medical would be transferred to the Legal & General Investment Management

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

		("LGIM") investment platform, where members can access the BGPS lifestyle strategies and self-select funds which are available to the DC section of the Scheme. The Trustee concluded that members would receive better value from LGIM rather than Utmost / Clerical Medical, in terms of fund charges, fund choices, consolidation under one provider and online access to their funds. The Trustee also agreed that it would not be in the interest of members invested in the With Profits AVCs to be transferred to LGIM due to the nature of the guarantees attached to these funds.

The Trustee has agreed an action plan for the following year to improve value where necessary and obtain any missing information. This action plan, along with details of the missing information and value assessment limitations, are detailed in other sections of the Chair's Statement.

Overall Value for Money

The Pensions Regulator's non-mandatory overall value for money takes into account all the Scheme's services to members where the members and/or the Employer bear the cost. In addition to investment, this includes administration, communications, Scheme management and governance.

The Scheme gave **Good** Overall Value for Money in the year ended 31 March 2021.

6 Administration

The Trustee has appointed Buck, a specialist third-party provider of pensions administration services, to administer the Scheme on its behalf. The Trustee monitored core financial transactions during the year including:

- The receipt and investment of contributions (including inward transfers of funds);
- Switches between investment options; and
- Payments of benefits (including retirements and outward transfers of funds).

The Trustee has a service level agreement in place with the Scheme's administrator, which covers the accuracy and timeliness of all administration work including core financial transactions such as:

- The investment of contributions;
- Switching investment options; and
- Payments of benefits.

The Trustee has a service level agreement in place with the Scheme's administrator, which covers the accuracy and timeliness of other administration work including:

- Providing quotations of benefits to members who are retiring or leaving the Scheme;
- Producing annual benefit statements; and
- Responding to ad hoc enquiries from members.

The main service standards are:

- Death in service or deferment and transfer-in calculation and payment within 5 working days;
- Leaving service options (i.e. refunds, deferred benefits, retirement benefits and transfers out) calculation and payment within 10 working days;
- Deferred benefits certificate within 5 working days;
- Retirement quotation provision within 10 working days;
- Illustration calculation within 10 working days;
- Transfer-in calculation and acceptance within 10 working days;
- Passing AVCs enquiries to insurer within 5 working days;
- General enquiries within 10 working days;
- Annual Renewal and Benefit Statements certificate within 40 working days; and
- Individual Benefit Statements certificate upon request within 10 working days.

Buck aims to complete 90% of its administration work and core financial transactions within these service levels. Buck provided the following comment regarding its administration services:

In terms of our administration services, we use a number of benchmarking measures to ensure that our service delivery, commercials and proposition remain competitive and in line with client and market expectations.

Our scope of services and service levels are based on industry set guidelines such as those determined by PASA. We annually participate in industry surveys (KGC Associates as an example) that independently assess our pricing and commercial standing in the administration market. This information is fed back to ourselves to ensure our administration services continue to deliver value for money for our clients.

Finally, our administration proposition is regularly assessed by a number of Third Party Administration evaluators to again check that it delivers as expected, is commercially fair and is being developed to meet the current and future needs of the market.

The Trustee understands that Buck monitors its performance against these service levels by:

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

- Maintaining all the processes subject to AAF audit;
- Monitoring daily transactions;
- Monitoring daily workflow items;
- Regular internal audits of administration procedures; and
- Reviewing the level, causes and resolution of complaints.

The Trustee monitored core financial transactions and administration service levels during the year by:

- Checking that contributions deducted from members' earnings have been paid promptly to the Scheme by the Employer;
- Receiving, reviewing and discussing quarterly reports from the administrator on the processing of financial transactions and other administration processes against the agreed service levels – the performance against service levels over the reporting year was 98.7% in Q2 2020, 99.0% in Q3 2020, 99.3% in Q4 2020 and 100.0% in Q1 2021;
- Considering the reasons for and resolution of any breaches of service standards;
- Receiving reports from the Scheme's Auditor; and
- Considering member feedback including any complaints (of which there were none during the Scheme year).

The Scheme's administrators, Buck, have confirmed to the Trustee that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately. The internal controls can be provided on request, if needed.

The Trustee has an Administration Sub-Committee in place, which meets four times a year, ahead of Trustee meetings, to address administration matters in greater detail. The last site visit was undertaken outside of the reporting period on 20 November 2019, by Jim Smart (the Chairman of the Scheme at the time), to check that the Trustee was satisfied with the administration procedures and policies that are currently in place, as well as to ensure that the administration fees reflected the quality of service. As a result of the pandemic, a site visit has not been undertaken since this date. However, the Trustee meets with the Scheme administrators regularly during the Administration Sub-Committee meetings, as well as the Trustee meetings, and any issues are raised with the Trustee as soon as possible.

The Trustee is satisfied that the service standards are competitive because its advisers have reviewed their SLAs in comparison to other administration providers and are satisfied they are in line with the market.

Data quality

Each year the Trustee ask the Scheme's administrator to confirm that they have undertaken an audit of the Scheme's common data (which is the key data needed by the Scheme to calculate members' benefits such as dates of birth), to ensure that the records for all members are accurate and up to date.

The last data quality audit was undertaken in April 2020. This showed that common data was present for 94.52% of membership data – compared to 94.33% at the last assessment so is broadly unchanged.

Over the next year the Trustee will continue to ask that Buck monitor common data and where possible, improve the quality of the Scheme's common data.

Cyber Security

The Trustee is conscious of the growing threat of cyber-attacks on pension scheme information.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Each year the Trustee asks the Scheme's administrator to confirm that their cyber security arrangements are effective and up to date. The Trustee expects that the Scheme's administrator will report any security breach immediately and ensure that members are notified as soon as possible.

Overall, the Trustee is satisfied that during the year:

- Core financial transactions were processed accurately, promptly and efficiently;
- There have been no material administration errors in relation to processing core financial transactions;
- The wider administration of the Scheme achieved the agreed service standards; and
- The Scheme's cyber security arrangements are effective.

The Coronavirus pandemic inevitably affected administration of the Scheme during the year while:

- Buck arranged for most of its staff to work from home and dealt with increases in staff absences; and
- Trading in property funds was suspended because of the difficulty in fairly valuing properties. The fund has since reopened.

However, the impact on the members was felt to be minimal.

Over this period, Buck took reasonable steps to ensure key financial transactions took place and services were restored as soon as possible. The Trustee has asked Grant Thornton to undertake a cyber security review on its behalf. Details of this review will be provided in next year's Statement.

Bulk transfers of assets
During the Scheme year there were large-scale transfers between funds affecting a number of members, which included the transfers of Clerical Medical and Utmost Life AVCs to L&G, as well as the bulk transfers as a result of property fund suspensions.

a. Bulk transfers of Clerical Medical and Utmost Life unit-linked AVCs to L&G
As outlined in Section 4, all unit-linked AVCs held with Clerical Medical and Utmost Life were transferred to L&G as the Trustee agreed L&G was likely to provide better value for members.

The Clerical Medical AVCs were disinvested on 30 June 2020 and reinvested with L&G on 1 July 2020. The transfer was in respect of 10 members, for a total value of £61,224. The transition costs incurred as a result of the transfer were £61.51 or c0.10% of the total amount transferred.

The Utmost Life AVCs were disinvested on 30 June 2020 and reinvested with L&G on 3 July 2020. The transfer was in respect of 15 members, for a total value of £90,277. There were no transition costs incurred.

The Trustee reviewed the way in which the transfers were to be conducted. The transition costs and risks for the AVC transfers over the year were mitigated in the following ways:

- Transition costs incurred were discussed with the Trustee as part of the transfer suitability advice received;
- The majority of the funds transferred from Clerical Medical and Utmost Life were paid into the BGPS Cash Fund which helped minimise transition costs; and
- The reinvestment process was regularly monitored to minimise out of market risk.

b. Bulk transfers as a result of the property fund suspensions
As outlined in Section 2 in "Other default arrangements", the BGPS Property Fund was suspended for trading in March 2020 and as a result contributions were redirected to the BGPS Cash Fund. Later in the year, the suspension was lifted and members' funds which had been redirected to the BGPS Cash Fund, were moved

back to the BGPS Property Fund. Following the lifting of the suspension, the BGPS Property Fund also ceased to be an inadvertent default as any funds in respect of members who hadn't chosen the BGPS Property Fund were reinvested elsewhere. There were no specific transition costs for either the redirection to the BGPS Cash Fund, or the redirection to the BGPS Property Fund.

The Trustee reviewed the way in which the transfers were to be conducted. The transition costs and risks were mitigated in the following ways:

- As part of the advice provided by the investment advisers, it was noted that there would be no cost of investment in the BGPS Cash Fund; and
- The reinvestment process was regularly monitored to minimise out of market risk.

The Trustee is satisfied that all the bulk transfers were conducted efficiently to mitigate the costs and risks for members as far as practicable and were conducted in a timely manner. There were no known errors or issues created as a result of the transfers.

Security of assets

The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To-date there have only been a few instances where members of Schemes such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager.

The Trustee has reviewed the structure of the funds used within the default arrangement, the BGPS Drawdown Lifestyle, and other investment options.

The Trustee has considered the various risks to which the Scheme is exposed, and details of its policy on the management of the key investment-related risks can be found in the SIP on page 3. The safe custody of the Scheme's assets is delegated to professional custodians, selected and monitored by the pooled funds providers. The role of the custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustee therefore believes that the current structures are appropriate for members when compared to other possible structures.

The changes made by the Trustee to the inadvertent defaults in the last year did not materially affect the security of the assets.

The Trustee takes the security of assets into account when selecting and monitoring the funds used by the Scheme. The security of assets will be reviewed as part of the triennial full investment review in September 2021.

7 Trustee knowledge

The Scheme's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Section 247 and 248 of the Pensions Act 2004 requires that each Trustee Director must:

- Be conversant with the Trust Deed and Rules of the Scheme, the Scheme's Statement of Investment Principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally;
- Have, to the degree that is appropriate for the purposes of enabling the individual to properly exercise his or her functions as Trustee Director, sufficient knowledge and understanding of the law relating to pensions and trusts and the relevant principles relating to funding and investment of the assets of occupational pension schemes; and
- Be able to demonstrate that their combined knowledge and understanding, together with available advice from their advisers, enables them to properly exercise their functions as Trustee Directors.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The Trustee's current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme are:

- There is a structured induction process for newly appointed Trustee Directors, which includes one-to-one training from the legal and actuarial advisers and the Scheme's DC advisers. This was carried out on 20 April 2021 for the three new Directors (John McFaull, Claire Carlin and Katie Wright). Newly appointed Directors are also asked to complete the Pensions Regulator's "Trustee Toolkit" within 6 months of becoming a Trustee Director;
    - The "Trustee Toolkit" is a free, online learning programme from The Pensions Regulator aimed at trustees of occupational pension schemes. The Trustee Toolkit includes a series of online learning modules and downloadable resources developed to help trustees meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004 and therefore required by law.
    - Claire Carlin, Katie Wright and John McFaull have completed the Trustee Toolkit.
- Ongoing training is provided to ensure that Trustee Directors maintain a working knowledge of the Scheme's Trust Deed and Rules, the Scheme's Statement of Investment Principles as well as the investment concepts and principles relevant to the Scheme, contract documents in relation to administration of the Scheme and the law and legislation relating to pension schemes and trusts, as well as working knowledge of documents setting out Trustee policies;
- Trustee Directors are encouraged to undertake further study and qualifications which support their work as Trustee Directors;

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

- The Trustee Directors have an annual plan in place for ongoing training appropriate to their duties;
- The effectiveness of these practices and the training received are reviewed annually;
- The Trustee Directors carry out regular assessments to confirm and identify any gaps in their knowledge and skills; and
- The Trustee Directors also receive quarterly "hot topics" from their advisers covering technical and legislative/regulatory changes affecting defined contribution (and additional voluntary contribution) schemes in general.

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee's advisers raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers typically deliver training on such matters at Trustee meetings, DC Sub-Committee meetings or Trustee Training Days if they are material.

All the Trustee Directors have access to copies of and are familiar with the current governing documentation for the Scheme, including the Trust Deed & Rules (together with any amendments) and Statement of Investment Principles ("SIP"). The Trustee refers to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments. The SIP was last reviewed on 29 June 2021 and it was agreed on 27 July 2021.

All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit. Trustee Directors are required to complete the Trustee Toolkit within 6 months of joining the Board.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date.

DC matters are dealt with by a DC Sub-Committee, to ensure sufficient time is dedicated to DC matters. Four DC Sub Committee meetings were held over the reporting period. The DC Sub-Committee reports back to the full Trustee Board at quarterly Trustee meetings.

There is a professional trustee on the Board. Advisers attend all Trustee meetings and Sub Committee meetings. The professional trustee and the advisers provide input and explanations or training on matters as they are discussed. This ensures that the Trustee receives "on the job" training.

The Trustee Directors are confident that they have sufficient knowledge and understanding of the relevant principles relating to the funding of occupational pension schemes. The Trustee has received training on defined benefit funding during the triennial valuation for the defined benefit Section of the Scheme. The Trustee notes this is more relevant to the defined benefit Section of the Scheme, rather than the defined contribution Section which this Statement reports on.

A training day to review gaps in Trustee knowledge and understanding, as well as Trustee effectiveness was completed during the year on the 12 January 2021.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

The Trustee carried out an evaluation of the performance and effectiveness of the Trustee Board as a whole, measured against the objectives in the Scheme's business plan over the year. The review demonstrated that the Trustee performs its duties to a high standard and help to deliver member outcomes to the best of its abilities.

The Trustee Directors test their familiarity with the Scheme's documentation, pensions law/regulations and the Pensions Regulator's DC Code of Practice 13 and supporting Guides by completing an annual self-assessment against the DC Code. They periodically receive training on the Trust Deed and Rules and the balance of powers within the Scheme. The Trustee does not undertake these reviews yearly but it considers both with its advisers as part of Trustee meeting and Sub-Committee meetings. The last review was in 2019.

During the period covered by this Statement, the Trustee received training on the following topics:

Date	Topic	Aim/benefit to the Trustee and to members	Trainer
16 June 2020 (DC Sub Committee meeting)	Disclosure of transaction costs and new Chair's Statement requirements	To update the Trustee on new requirements that affect the Chair's Statement, including compliance and ensuring that the required information was requested from investment managers.	Hymans Robertson
12 January 2021 (Trustee Training Day)	Cyber security	To provide a better understanding of the risks and the need to ensure that members' benefits are made as safe as possible.	Buck
12 January 2021 (Trustee Training Day)	Implementation Statement DC governance	To update the Trustee on new statutory reporting requirements relating to the implementation of investment policies.	Mercer
12 January 2021 (Trustee Training Day)	DC governance	To remind the Trustee of the requirements of the DC Code of Practice and the Pensions Regulator's guidance.	Hymans Robertson
23 February 2021 (DC Sub-Committee meeting)	Financial education and wellbeing	To update the Trustee on tools they or the Employer can facilitate for members, using where appropriate Hargreaves Lansdown and Legal & General. Members will have confidence that helpful tools and services are being considered/made available to them when making retirement decisions.	Hymans Robertson
The Trustee Directors completed the online module at different times over the reporting period	Completion of the pension scams Trustee Toolkit module	To meet the Pensions Regulator's requirements and to have a better understanding of the nature of pension scams.	The Pensions Regulator

The Trustee has appointed suitably qualified and experienced actuaries, legal advisers, investment consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Trust Deed and Rules, legislation and regulatory guidance. The Trust Deed and Rules is maintained in consolidated form, to aid understanding.

The Trustee periodically reviews the appointment of its advisers. The Trustee last reviewed its advisers in the first quarter of 2018. Over the course of the Scheme year, the Trustee reviewed the effectiveness of its advisers, in particular the Competition and Markets Authority objectives for the investment consultants. The Trustee will complete this assessment in the next Scheme year also.

The Trustee undertook the following reviews during the last year:

Date	Review of
16 June 2020 (DC Sub Committee meeting)	The DC Statement of Investment Principles to meet new regulatory requirements.
3 November 2020 (DC Sub Committee meeting)	The DC annual business plan and the DC objectives, which enables the Trustee Directors to ensure they receive appropriate training over the year, in line with Scheme objectives.
24 November 2020 (Trustee meeting)	The Competition and Markets Authority's requirements for setting and reviewing objectives for the Scheme's investment consultants.
12 January 2021 (DC Sub Committee meeting)	Review of the Trustee effectiveness, knowledge and understanding to help understand areas where that Trustee would benefit from additional training and support.

The Trustee Directors are satisfied that during the last Scheme year they have:

- Taken effective steps to maintain and develop their knowledge and understanding; and
- Ensured they received suitable advice.

Over the next reporting year, the Trustee Directors will be:

- Continuing to develop their knowledge and understanding by undertaking regular training sessions, as per the Training Plan; and
- Ensuring they receive suitable advice during the next year by reviewing the effectiveness of their advisers.

The Trustee Directors are satisfied that the combination of their knowledge and understanding together with access to suitable advice enabled them to properly exercise their duties during the period covered by this Statement.

8 Complete and future actions

During the last year the Trustee undertook the following (over and above “business as usual”):

- Improved Value for Members by:
  - *Working closely with its advisers to produce engaging communications issued to members to help aid education on their benefits;*
  - *Entering into an agreement with the L&G WorkSave At Retirement Master Trust to help members access a drawdown arrangement at a competitive price at retirement; and*
  - *Transferring members’ AVCs held with Utmost Life and Clerical Medical to the L&G investment platform in July 2020.*
- Arranged for the publication of this Statement, together with the Statement of Investment Principles in a publicly searchable location on the internet with a note of this location provided in the annual benefit statements;
- Organised a Trustee Training Day on 12 January 2021 which covered training on defined contribution topics;
- Completed a review of the Trustee effectiveness, knowledge and understanding to ensure the Trustee continues to meet the standards needed;
- Updated the Statement of Investment Principles to reflect the new regulatory requirements on Responsible Investment which came into force on 1 October 2020; and
- Completed an annual high-level review on the suitability of the Scheme’s investment options;

In the coming year (which will be covered by the next Statement), the Trustee intends to carry out the following:

- Work with L&G to widen their reporting on responsible investing and how they vote at shareholder meetings;
- A full review on the suitability of the Scheme’s investment options;
- Improve Value for Members by continuing to review the communications strategy to ensure communications remain current and user-friendly;
- Seek feedback from members on responsible investment;
- Undertake a high level Trustee Effectiveness Review;
- Complete their first implementation statement describing how they have followed the policies in the Scheme’s SIP;
- Develop their arrangements for reporting on climate related investments;
- Consider whether value for money for members would be improved by transferring the assets to a Master Trust; and
- Review the Scheme’s cyber security arrangements.

9 Missing information

The Trustee has been unable to obtain information on:

- The charges and transaction costs for the following legacy AVCs during the period covered by this Statement:
  - Scottish Friendly With-Profits Fund;
  - Clerical Medical With-Profits Fund – TER information is not available, however the Trustee have received transaction cost data;
  - Clerical Medical Unit-Linked Funds – some transaction costs are available over the reporting period for some of the funds within policy 67531, but no transaction costs available for policy 71732;
  - Clerical Medical With-Profits Fund held with Utmost Life – transaction costs are, however, available for the period 1 October 2019 – 30 September 2020; and
  - London Life Pension Traditional With Profits – V1 Fund held with Phoenix – charges and transaction costs are, however, available for the period 1 January 2020 – 31 December 2020.

The following steps are being taken to obtain the missing information for the future:

- The Trustee requested the information from the providers and is continuing to chase for responses;
- The Trustee is pressing for greater disclosure of costs and charges for the With Profits Funds; and
- The Trustee has asked for reasons why the missing information is not available and a timescale for when it will be available.

The missing information listed above means that the Trustee has not been able to compare the funds' charges and costs for the historic AVC funds against other schemes and providers.

The Trustee also notes the following limitations:

- At this time, limited data is available on industry-wide comparisons of pension schemes and the Trustee has relied heavily on the market knowledge of its advisers; and
- There is limited transaction costs data available to provide industry-wide comparisons.

The Trustee understands that these issues currently affect many pension schemes and pension providers. The amount of comparative information available should improve over the next few years.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Appendix 1

Statement of Investment Principles

THE BAXI GROUP PENSION SCHEME

Statement of Investment Principles – July 2021

1. Introduction

Baxi Group and Newmond Pension Trustees Limited, the Trustee of the Baxi Group Pension Scheme ("the Scheme") has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of:

- The Pensions Act 1995, as amended by the Pensions Act 2004;
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015;
- The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019;

and subsequent legislation ("the Act"). The Statement also seeks to take into account the principles underlying the (Myners) Code of Best Practice for pension scheme investment, which has been endorsed by the Government and the National Association of Pension Funds.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments.

The strategic management of the assets is fundamentally the responsibility of the Trustee acting on expert advice and is driven by its investment objectives. The day to day management of the assets is delegated to professional investment managers.

As required under the Act, the Trustee has consulted a suitably qualified person in having obtained written advice from its Investment Consultant, Mercer Limited. The Trustee, in preparing this Statement, has also consulted the principal employer, Baxi Heating UK Limited ("the Company").

Where matters described in this Statement may affect the Scheme's funding policy, input has also been obtained from the Scheme's Actuary.

The advice received and arrangements implemented are, in the Scheme's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

2. Structure of the Scheme

The Scheme has both Defined Benefit ("DB") and Defined Contribution ("DC") Sections. The DC Section is a qualifying scheme for auto-enrolment purposes. The DC Section also includes the Additional Voluntary Contribution ("AVC") assets. There are some legacy with-profit AVC arrangements for which further details can be found in Section 5.

3. DB Section

3.1. Investment Objectives and Strategy

3.1.1. Investment Objectives

The Trustee's main investment objective is to ensure members' benefits are payable as they fall due and to act in the best interest of the members and beneficiaries. Within this framework the Trustee has agreed a number of objectives to help guide them in the strategic management of the assets. These objectives are as follows.

- To optimise returns from investments over the long term which are consistent with the long term assumptions of the Actuary in determining the funding of the Scheme
- To control the various funding risks to which the Scheme is exposed
- To achieve fully funded status on a low-risk liability basis
- To gradually de-risk to a low-risk investment strategy over time
- To provide a suitable range of investment funds for AVC contributions

3.1.2. Investment Strategy

The Trustee recognises that the investment strategy should take account of the Scheme's current funding level, liability profile and long term funding objectives. .

The Trustee has determined, based on written expert advice from Mercer, a benchmark mix of asset types and ranges within which the investment managers may operate. This is set out in the table below and the Trustee believes this strategy is appropriate for dealing with the risks outlined in section 3.2.

Asset Class	Scheme Benchmark %
Liability Driven Investment ("LDI") Portfolio*	**75.0**
Growth Portfolio	**25.0**
UK Equities	1.0
Global Equities**	4.0
Diversified Growth Fund	20.0
Total	**100.0**

* consisting of corporate bonds (37.5%), leveraged and unleveraged gilts and index linked gilts, swaps and cash
* consisting of unhedged and GBP hedged global equity funds

Following the implementation of the LDI portfolio the Trustee's objective is to hedge the inflation and interest rate exposure up to the Scheme's funding level on the Technical Provisions Basis (c. 90% on the gilts +0.86% basis at the point of implementation). As the Scheme's funding level improves, the Trustee will aim to increase the hedge ratio.

To achieve its objectives, the Scheme will be progressively rebalanced until it reaches a benchmark allocation of 15% growth assets, 85% liability matching assets subject to meeting certain triggers as detailed in the De-Risking Principles document agreed in August 2019, which the Trustee had consulted with the Company. The De-Risking Plan agreed assumes that the benchmark allocation to growth assets reduces by 3% of total assets at each 31 March (assuming the funding level is in line with the recovery plan from the 2018 Actuarial Valuation) with the final move to 15% growth assets being achieved by the 2024 valuation. If at a subsequent 31 March the funding position has improved such that progress is in line with the recovery plan, the Trustee will make the derisking step scheduled for that year as well as the deisking steps that were scheduled for previous years.

The Trustee reviewed the De-Risking Principles as part of the April 2018 actuarial valuation process taking account of expected returns at that date.

Risk Management and Measurement

There are various risks to which the Scheme is exposed. The Trustee's policy on the management of the key investment-related risks is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Scheme's assets and its liabilities. These are mainly the strategic investment risks. The key strategic investment risks inherent in the current investment strategy are as follows:
  - Equity market risk (the risk that equity valuations fluctuate in an uncorrelated way with the value of the liabilities)
  - Interest rate risk (the risk that the assets do not move in line with the value placed on the Scheme's liabilities in response to changes in interest rates)
  - Inflation risk (similar to interest rate risk but concerning inflation)
  - Credit risk (the risk that payments due to corporate bond investors may not be made)
- The strength of the Company's covenant is important and the Trustee is very aware of the risk posed by the correlation between the strength of the covenant and the funding level of the Scheme.
- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more short-term volatility in the Scheme's funding position.
- Recognising the above risks, the Trustee regularly reviews its stated objectives to ensure they continue to reflect the Scheme's liabilities, contribution levels and Trustee's attitude to risk. In turn, the Trustee regularly seeks investment advice to ensure that the Scheme's investment strategy reflects its objectives. This Statement is reviewed at least every three years to ensure that the stated investment objectives and strategic asset mix remain appropriate and immediately following any significant change in strategy or objectives.
- The Trustee recognises the risks that may arise from the lack of diversification of investments and aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. This principle of diversification extends across asset classes and within asset classes. Pooled fund vehicles will be used, where appropriate, to ensure appropriate diversification at stock level.
- The risk that the day to day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active investment managers involves such a risk and believes that the risk is such that a passive manager should be employed to manage the majority of the Scheme's assets. As the Trustee believes that active management can still add value on a selective basis, active management is employed via the Diversified Growth Funds. This view also complements the Trustee's desire to ensure diversification within the Scheme's investment strategy.

- There is currency risk inherent in investment in overseas equity markets within the Diversified Growth Funds and in Global Equity Funds that the Scheme invests in.

- The documents governing the investment manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme. The managers are prevented from investing in asset classes outside their mandate without the Trustee's prior consent. The managers are regulated by the Financial Conduct Authority ("FCA").

- The safe custody of the Scheme's assets is delegated to professional custodians, selected and monitored by the pooled fund providers.

- The Trustee recognises the importance of managing operational risks, such as counterparty risk. It works with its advisers and investment managers to understand the extent of such risks but delegates the day to day control of such risks to the managers.

- Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure), the Trustee will look to ensure that the assets of the Scheme are predominantly invested on regulated markets, or robustly collateralised if over-the-counter vehicles are used.

Arrangements are in place to monitor the Scheme's investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustee meets periodically with the Scheme's managers and receives regular reports from all the investment managers and Mercer.

Should there be a material change in the Scheme's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered and will update this document accordingly.

3.2. Day-to-Day Management of the Assets

The Trustee delegates the day to day management of the Scheme's DB assets to professional investment management firms who are regulated by the FCA. The Trustee has taken steps to satisfy themselves that their managers have the appropriate knowledge and experience for managing the Scheme's investments and are carrying out the work competently.

The Trustee has determined a benchmark mix of asset types and ranges within which each appointed investment manager may operate.

3.2.1. Investment Structure

The Trustee is responsible for the appointment and removal of the Scheme's investment managers. The following investment managers are employed by the Scheme for management of the DB assets:

- Legal & General Investment Management Limited ("LGIM")
- Schroder Investment Management Limited ("Schroders")
- BlackRock Investment (UK) Management Limited ("BlackRock")

The Scheme's equity and bond assets are invested in passive, index-tracking funds. The Scheme employs active management in the areas where the Trustee believes the managers can truly add value above the market return after fees have been paid or where the managers are provided with a specialist mandate in relation to the management of assets (LGIM, BlackRock and Schroders Diversified Growth Funds).

The Scheme uses specialist managers who the Trustee believes are experts in their particular field. The manager structure and the role of each of the Scheme's investment managers are set out in the table below.

Manager	Mandate	Scheme Benchmark %
LDI Portfolio		**75.0**
LGIM	Passive Corporate Bonds	37.5
LGIM	Gilts/Swaps/Cash	37.5
Growth Portfolio		**25.0**
LGIM	UK Equities	1.0
LGIM	Global Equities	4.0
LGIM / Schroders / BlackRock	Diversified Growth Fund	20.0
Total		**100.0**

The role of each individual Investment Manager and their respective benchmarks are set out below. Various limitations and restrictions apply to the Scheme's investment managers. The purpose of these restrictions is to ensure diversification and suitability of investments. Full details can be found in the individual Investment Management Agreements.

3.2.2. LGIM (c. 86% of the Scheme's Assets)

LGIM manages a LDI Portfolio, UK and Global equity portfolio,and a Diversified Growth Fund portfolio on behalf of the Scheme.

LDI Portfolio

The Trustee appointed LGIM to manage an LDI Portfolio in order to manage the Scheme's exposure to interest rate and inflation risks. The mandate allows for investment in a range of LGIM funds in order to meet the Scheme's objectives set out below.

- LGIM AAA-AA-A Bonds Over 15 Year Index
- LGIM Single Stock Bond funds
- LGIM Matching Plus Gilt funds
- LGIM Matching Plus Swap funds
- LGIM Sterling Liquidity Cash funds

The aim of the LDI Portfolio is to hedge the inflation and interest rate exposure up to the Scheme's funding level on the Technical Provisions Basis (gilts +0.86%). This hedging target is reviewed regularly and is currently set to hedge 90% of the Scheme's interest rate and inflation exposure based on the liability profile from the 31 March 2018 actuarial valuation.

For the avoidance of doubt, target hedge ratios allow for the hedging contribution provided by the Scheme's corporate bond assets held within the LDI mandate.

For the passive LGIM AAA-AA-A Bonds Over 15 Year Index Fund, LGIM are required to perform in line with the relevant benchmark index as follows:

Bond Section	Benchmark	Expected Tracking Error % p.a.
AAA-AA-A Bonds Over 15 Year Index	Markit iBoxx GBP Non-Gilts ex BBB 15 Yr+	±0.5 (for 2 years out of 3)

UK and Global Equity Portfolio

LGIM are required to perform in line with the relevant benchmark index as follows:

Fund	Benchmark
UK Equity Index	FTSE All-Share
World (ex-UK) Equity Index	FTSE World (ex UK) Index
World (ex-UK) Equity Index – GBP Currency Hedged	FTSE World (ex UK) Index - GBP Hedged

LGIM Diversified Fund

LGIM has been appointed by the Scheme to manage the Diversified Growth Fund ("DGF"). The DGF will invest in a broad range of asset classes to provide long-term investment growth. The long-term expected rate of return of the DGF is anticipated to be broadly similar to that of a developed market equity fund, but the diversified nature of the fund means that it is expected to have less equity exposure than a pure equity fund and perform differently in adverse equity market conditions, however may perform less strongly than a pure equity fund in benign or positive market conditions.

3.2.3. Schroders (c.7.0% of the Scheme's Assets)

Schroders has been appointed by the Scheme to manage a DGF. The Fund has a target return objective of RPI + 5% per annum (gross of fees), with a tracking error of two thirds of equity market volatility.

3.2.4. BlackRock (c.7.0% of the Scheme's Assets)
BlackRock has been appointed by the Scheme to manage a DGF.
The Fund aims to achieve a return on investment, over the medium term, through a combination of capital growth and income which targets the Bank of England's Base Interest Rate +3.0% (net of fees).

4. DC Section

4.1. Investment Objectives and Strategy

4.1.1. Investment Objectives

The Trustee's overall objective is to invest contributions in the best interests of members and their beneficiaries.

The Trustee believes that understanding the demographics and likely attitudes to risk/reward of the members are essential to developing and maintaining an appropriate investment strategy. It is also believed that members typically seek to optimise the value of their retirement benefits from a given level of contributions, while aiming to protect the value of those benefits in the years approaching retirement against market falls and fluctuations in the costs of turning fund values into retirement benefits / retirement income streams.

The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such the Trustee makes available a default investment option to members, which is described in section 4.1.4.

The Trustee has received advice with regards to member needs throughout their working lives for the purposes of the default option and a set of strategic objectives have been agreed reflecting these needs, which are also described in section 4.1.4.

4.1.2. Investment Strategy

In choosing the Scheme's investment options, it is the policy of the Trustee to consider:

- A full range of asset classes, including alternative asset classes;
- The suitability of different styles of investment management and the need for investment manager diversification;
- The suitability of each asset class within a defined contribution scheme; and
- The need for appropriate diversification.

The Trustee makes available a range of funds which they believe provide appropriate choices for members' different saving objectives, risk profiles and time horizons.

4.1.3. Lifestyle Strategies

The Scheme offers members the option of having their funds invested in three lifestyle strategies, where members' funds are invested in higher risk assets, such as equities and multi-asset funds when members are further from retirement, before switching into funds designed to broadly match an income drawdown benefit (with an allowance for tax free cash), fixed annuity (with an allowance for tax free cash) or cash.

For members who are planning a flexible approach to drawing benefits at retirement or planning to use income drawdown during their retirement, the BGPS Drawdown Lifestyle switches into diversified growth and a small proportion of cash during the de-risking phase.

For members planning to take cash at retirement, the BGPS Cash Lifestyle switches into diversified growth and then to cash during the de-risking phase and the self-select range offers a fund, investing in cash deposits and other short-term interest bearing securities providing a high degree of (but not complete) capital security.

For members planning to buy an annuity at retirement, the BGPS Annuity Lifestyle switches into bonds and cash during the de-risking phase and the self-select fund range offers funds investing in longer-dated bonds, which may be expected to broadly follow movements in annuity rates caused by interest rate changes as retirement approaches.

The portfolios and funds used across the three lifestyle strategies are summarised in the following table.

Lifestyle strategy	Components
BGPS Drawdown Lifestyle **(the "Default Option")**	*Growth Phase: BGPS Equity Fund* *Consolidation Phase: BGPS Diversified Growth Fund* *Pre-Retirement Phase: BGPS Pre-Drawdown Fund*
BGPS Annuity Lifestyle (a technical Default)	*Growth Phase: BGPS Equity Fund* *Consolidation Phase: BGPS Diversified Growth Fund* *Pre-Retirement Phase: BGPS Pre-Retirement Fund,* *BGPS Cash Fund*
BGPS Cash Lifestyle (a technical Default)	*Growth Phase: BGPS Equity Fund* *Consolidation Phase: BGPS Diversified Growth Fund* *Pre-Retirement Phase: BGPS Cash Fund*

**see Appendix A and Appendix B for the lifestyle matrices and details of the funds used.*

4.1.4. The Default Option

The Scheme provides a Default Option – the BGPS Drawdown Lifestyle - because:

- It is believed that a significant proportion of the membership are either unengaged in or unable to decide where their DC savings should be invested;
- A significant proportion of the membership are expected to have broadly similar investment needs;
- The Scheme is a qualifying scheme for auto-enrolment purposes and is required by Regulations to have a Default Option;
- The Trustee believes that the presence of an effective Default Option will help deliver better outcomes for members at and into retirement.

The main objective of the Default Option is to provide better member outcomes at retirement while subject to a level of investment risk which is appropriate to the majority of members who do not make active investment choices.

The Trustee believes that a lifestyle strategy is an appropriate default option. The principal objectives of the Default Option are:

- To manage the principal investment risks faced by an average member during their membership of the Scheme;
- To avoid making a decision for a member as to how they will use their savings at retirement. This will mean the fund invests in a blend of bonds, cash and diversified growth at retirement;
- To invest in funds which are expected over the long-term to deliver strong returns relative to inflation for members over 20 years from retirement;
- To progressively invest in funds which are expected over the long-term to deliver good returns relative to inflation, while seeking to control the level of volatility in fund values compared to equities, for members 10 to 20 years from retirement whose DC savings are expected by then to have grown to a size where the value at risk is material.
- During the last 10 years before retirement, to increasingly invest in lower risk funds which are expected to help mitigate fluctuations in the sizes of both members' fund values and the benefits members are likely to take at retirement.

Full details of the Default Option are provided in Appendix A.

In choosing what is believed to be an appropriate default, the Trustee has taken into account a number of factors including: members' projected pot sizes at retirement, contribution levels, the level of replacement income that members are likely to require and the likely return on investment after the deduction of charges payable on the funds used by the default option.

The Trustee selected a lifestyle strategy targeting flexibility at retirement as the Default Option as it reflects the option that is considered most likely to be appropriate for the majority of members who are unable to decide how they wish to take their retirement benefits or might take their benefits in a combination of ways and at different points in time. This option has a similar structure for members that would target income drawdown. The design of the default also incorporates advice with regards to member needs, by which the following strategic investment objectives have been set and agreed:

	Return Requirements	Expected Risk Requirements
Growth Phase	CPI + 4-5% p.a.	c.15-20% p.a.
Consolidation Phase	CPI + 3% p.a.	c.10-12% p.a.
Pre-Retirement Phase	CPI + 1-2% p.a.	c.4-6% p.a.

Further to the investment risks noted under 4.2, the Default Option manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the Default Fund, the Trustee has explicitly considered the trade-off between risk and expected returns.

Assets in the Default Option are invested in a manner that aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole. The majority of the Scheme's assets are invested in regulated products that trade mainly on regulated markets. The risks and financially material considerations identified by the Trustee in Section 7 of this Statement are also applicable to the Default Fund. The Trustee's policy in relation to the managers used by the Scheme are outlined in Section 8 and are also applicable to the Default Fund.

Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership might behave at retirement, the Trustee believes that the current default option is appropriate and they will continue to review this regularly, and more strategically at least triennially, or after significant changes to the Scheme's demographic, if sooner.

4.1.5. Principles in Relation to the Additional Default Options

In April 2018 the Department for Work and Pensions ("DWP") amended the Occupational Pension Schemes (Charges and Governance) Regulations 2015, effective from 6 April 2018. In particular, the DWP's guidance in association with new regulations clarified the government's policy in relation to default investment arrangements in the receiving scheme when a member with self-select funds is mapped into new funds which most closely reflect their original choice. This applies when mapping member savings between arrangements but also to in-scheme changes.

The Scheme made a number of in-scheme changes to members' investment options in 2018. As part of these exercises and consistent with investment consultancy and legal advice, previous self-select funds were mapped across to new funds without members' consent. As a result, additional 'technical' default options were created. In the first half of 2020, the Trustee undertook an exercise to consolidate the majority of the additional default options into the BGPS Drawdown Lifestyle (the current default option). However, the Trustee agreed to retain the following as additional defaults:

- BGPS Annuity Lifestyle
- BGPS Cash Lifestyle

In March 2020, the Threadneedle Property Fund, the underlying fund used by the BGPS Property Fund, was suspended and no assets could be in/disinvested into/from the FundConsistent with investment consultancy and legal advice, it was decided that all ongoing contributions into the BGPS Property Fund would be invested in the BGPS Cash Fund until the suspension on the underlying fund used by the BGPS Property Fund is lifted. As a result, an additional 'technical' default option was created with monies being invested in the BGPS Cash Fund without members' consent. In November 2020, the suspension of the Threadneedle Property Fund was lifted.

The following applies to the Additional Default Options, as specified:

Overall Trustee's Aims and Objectives

To provide members with a fund that is a suitable replacement, having considered expected risk and return, for one that has been removed previously either on a permanent or temporary basis.

The realisation of investments

The Trustee has considered these manager and mandate appointments noting that the selection, retention and realisation of assets within the pooled funds are delegated to the respective investment manager in line with the mandates of the funds.

Aims, Objectives and Policies for the BGPS Annuity Lifestyle and BGPS Cash Lifestyle Options

The aims for these two lifestyle options and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To match decisions made by these members previously as to how they will use their savings at retirement.

  The options invest in a blend of bonds and cash for the BGPS Annuity Lifestyle and cash for the BGPS Cash Lifestyle at retirement to align with the targets of prior strategy choices.

- To invest in funds which are expected over the long-term to deliver strong returns relative to inflation for members over 20 years from retirement.

  The equity funds invest primarily in equity securities issued by companies. The strategy invests generally in shares of companies domiciled in, or exercising a significant part of their economic activity in, developed markets and emerging markets. The BGPS Diversified Growth Fund invests in a range of asset classes including equities, bonds and a number of alternative asset classes to achieve long-term capital growth.

- To progressively invest in funds which seek to control the level of volatility in fund values compared to equities for members 10 to 20 years from retirement, whose DC savings are expected by then to have grown to a size where the value at risk is material.

  Both strategies start de-risking from equities into less volatile assets, such as diversified growth, bonds and cash, from 20 years to retirement. This de-risking seeks to control the level of fund volatility in the run up to retirement to help with a view to meeting specific outcomes.

Aims, Objectives and Policies for the BGPS Cash Fund

The aims of the BGPS Cash Fund, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To offer an option for members to reduce investment risk.

  The returns from the cash fund are expected to be less volatile by nature of these price movements from these asset classes. Members can use these funds as an option to reduce risk.

Risk in relation to the Additional Default Options

The Trustee has explicitly considered the trade-off between risk and expected returns for the funds offered to members. Risk is not considered in isolation, but in conjunction with expected investment returns and retirement outcomes for members.

In selecting the funds that are classified as additional defaults, the Trustee considers the liquidity of the investments in the context of the likely needs of members. The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and how they are managed.

Risk	How it is managed	How it is measured
Inflation Risk	The funds underlying the growth portfolio of the BGPS Cash Lifestyle and BGPS Annuity Lifestyle lifestyles invest in a diversified range of securities which are considered likely to grow in excess of inflation. This risk does not specifically apply to the BGPS Cash Fund. The BGPS Cash Fund objective is to provide protection to members.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Risk	How it is managed	How it is measured
Pension Conversion Risk	The BGPS Cash Lifestyle and BGPS Annuity Lifestyle options have a specific objective to target a different method of taking benefits. The BGPS Cash Fund objective is to provide protection to members and is suitable for a member who is close to retirement and targeting cash at retirement.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The underlying assets for each fund are invested in a diversified range of securities which are considered likely to increase in value over longer time horizons.	Monitors the performance of the funds on a quarterly basis.
Currency Risk	The funds underlying the growth portfolio of the BGPS Cash Lifestyle and BGPS Annuity Lifestyle invest in UK equities and currency-hedged overseas equities. Within the consolidation portfolios, any currency decisions are at the discretion of the DGF managers. This risk does not specifically apply to the BGPS Cash Fund as all holdings are Sterling based.	Monitors the performance of funds on a quarterly basis. Considers the impact of the movements in foreign currencies relative to pound sterling.
Liquidity Risk	Funds all have daily liquidity.	Units may be realised quickly if required from daily dealing funds.
Environmental, Social and Governance Risk	The Trustee's policy on ESG risks is set out in Section 7 of this Statement.	Review of ratings but changes will not be driven by these ratings.

The above items are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire. The risks and financially material considerations identified by the Trustee in Section 7 of this Statement and the Trustee's policy in relation to the managers used by Scheme as outlined in Section 8 of this Statement are also applicable to the Additional Default Options.

4.1.6. Alternative Lifestyle Options

Alternative lifestyle options are offered for those members who believe that the risk profile of the Default Option is not appropriate to their needs, but otherwise do not want to take an active part in selecting where contributions are invested.

The alternative lifestyle options manage the principal risks faced by members during their membership, but target taking their retirement benefits as cash at retirement or purchasing an annuity.

Some members will be invested in the alternative lifestyle options (BGPS Cash Lifestyle and BGPS Annuity Lifestyle) due to mappings without consent, as outlined in Section 4.1.5 of this Statement.

4.1.7. Self-select Fund Range

The self-select fund range allows members who do not wish to invest in one of the lifestyle strategies some flexibility in their selection of funds. The self-select fund range covers a broader spectrum of investment risk levels and investment approaches, so that members can tailor the investment of their DC savings more closely to their personal needs and attitude to risk – although it cannot be expected to cover all the investment needs of all members.

The range of self-select funds is set out in Appendix C.

4.1.8. White Labelled Funds

The Trustee has established white labelled funds to enable them to implement combinations of funds in a blended fund structure and simplify the process of replacing or changing managers if required in future. White-labelling is also expected to simplify the process of selecting funds for members to encourage engagement.

The white labelled funds are constituents of the lifestyle strategies and are offered as self-select options.

Rebalancing of the underlying funds will be considered annually by the Trustee. There is no automatic or compulsory rebalancing within the blends.

4.2. Risk Management and Measurement

The Trustee has considered risk from a number of perspectives. The principal risks that members face, along with the policies and actions taken by the Trustee to mitigate these, are as follows:

- **Risk within Default** - The risk that the investment profile of the default option is unsuitable for the requirements of some members.
    - *The Trustee offers alternative lifestyle options and a range of self-select options for members* to *choose from to set strategies reflecting their own risk preferences, if required.*
- **Inflation Risk** - The risk that the investment return over members' working lives does not lead to adequate savings at retirement and, consequently, provides an inadequate income in retirement.
    - *For members further from retirement, the lifestyle strategies invest in return-seeking assets during the growth phase, which are expected to produce returns well in excess of inflation over the longer term. These funds are also included in the self-select range.*

- **Conversion Risk** - The risk that market movements in the period just prior to retirement lead to an increase in the cost of turning members' fund values into retirement benefits.
    - *Each of the lifestyle strategies seek to track, as closely as possible, the method by which members invested in the strategies are expected to take their benefits upon conversion – mitigating the impact of any increase in costs.*
- **Volatility/Market Risk** - The risk that unfavourable market movements in the years just prior to retirement can lead to a substantial reduction in the anticipated level of retirement benefits.
    - *The lifestyle strategies de-risk over time and members who are closer to retirement will be invested in a combination of lower risk assets. The component funds are also included in the self-select range.*
- **Performance Risk** -The risk that the investment manager underperforms the chosen benchmark.
    - *The Trustee offers a range of passively managed funds which are expected to have a lower chance of underperforming. The Trustee will regularly monitor fund performance focusing on this risk.*
- **Counterparty Risk** - The risk that counterparties holding derivative based assets may default leading to a reduction in a fund's value.
    - *This risk is managed by investing in a range of pooled funds that offer suitable counterparty protection. Exposure is kept to a minimum for efficient portfolio management purposes.*
- **Liquidity Risk** - The risk that funds which invest in more illiquid assets will not be able to accept investments or disinvestments requested by the Trustee and/or members.
    - *The pooled funds that members are invested in are all daily dealing and units may be realised quickly if required.*
- **Environmental, Social and Governance Risk** - The risk that ESG factors, which can have a significant effect on the performance of the investments held by the Scheme e.g. extreme weather events, poor governance, are not taken into account.
    - *This is delegated to external investment managers.*
    - *The Trustee's policy on ESG risks is set out in Section 7 of this Statement.*

4.3. Day-to-Day Management of the Assets

The fund range offered to members is accessed through the investment fund platform provided by LGIM.

Day-to-day management of the assets is delegated to professional investment managers who are all authorised and regulated. The range of funds underlying the options offered to members incorporates funds from a number of investment managers.

The Trustee assesses the continuing suitability of the Scheme's investment managers on a periodic basis. The Trustee's investment adviser provides support and advice in monitoring the investment managers, both in the form of written reports or attendance at meetings as required by the Trustee.

The Trustee will review the appointment of any investment manager for any reason they consider appropriate.

5. AVCs

The Trustee is responsible for the investment of Additional Voluntary Contributions ("AVCs") paid by members. The Trustee reviews performance on a regular basis and takes advice on their suitability. Assets in respect of members' Additional Voluntary Contributions are invested with LGIM. The funds available and performance objectives are in line with the wider DC arrangements as set out in Section 4. The Scheme also has a number of legacy with-profits holdings with Utmost Life (managed by Clerical Medical), Phoenix Life and Prudential Assurance funds.

6. Advisors and Scheme Governance

6.1. Custodian

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers. Where the Scheme's assets are managed via pooled funds, the custody arrangements for the Scheme's investments have been made by each Investment Manager with their preferred custodian.

6.2. Actuary

The Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The latest actuarial valuation was performed as at 31 March 2018 by the Scheme Actuary. The Trustee is currently in the process of undertaking the 2021 actuarial valuation. Mr Matthew Jones of Mercer Limited is the appointed Scheme Actuary.

6.3. Investment Consultant

Whilst the day-to-day management of the Scheme's assets is delegated to investment managers, all other investment decisions including strategic asset allocation and selection and monitoring of investment managers are based on advice received from the Investment Consultant. Mercer Limited has been appointed for this purpose.

6.4. Monitoring the Scheme's Investment Managers

The Trustee retains the assistance of Mercer as investment advisor to provide assistance with monitoring the investment managers and on strategic investment issues.

7. Policy on Socially Responsible Investment and Corporate Governance

The Trustee believes that environmental, social, and corporate governance ("ESG") factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments. The Trustee has advised the Scheme's investment managers that they will be expected to vote the Scheme's UK shares in accordance with the guidelines set down by the UK Stewardship Code and UK Corporate Governance Code and encourages them to exercise those rights on behalf of members' interests when they believe there could be a potential financial impact on the funds. The investment managers have full discretion to vote in favour of actions outside these guidelines but will be expected to report to the Trustee with an explanation of its actions. The Trustee will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. The Trustee will consider the ESG ratings provided by Mercer and how each investment manager embeds ESG factors into its investment process. When appointing managers, the Trustee will also consider how the investment manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. The Trustee reviews the ESG rating provided by Mercer as part of the Scheme's regular quarterly performance reporting. A change in ESG rating does not mean that the fund will be removed or replaced automatically. Managers will also be expected to report on their own ESG policies as and when requested by the Trustee.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

The Trustee does not take into account members' views on non-financial matters, including their ethical views, in the selection, retention and realisation of investments, given the difficulty in determining members' views and applying these to a single Scheme investment strategy. However, this position will be reviewed over time (for example, following the outcome of member surveys).

The DC Section of the Scheme currently offers members a specialist sustainable fund for members as a self-select option.

The Employer's views on ESG matters will be accounted for, noting that they may not necessarily result in a change in the Trustee's investment decisions

Members' financial interests

The Trustee has requested that the investment managers have the financial interests of the members as their first priority when choosing and reviewing investments.

8. Manager Arrangements

8.1. Aligning Manager Appointments with Investment Strategy

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The Trustee will seek guidance from the investment consultant, where appropriate, for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and are used in decisions around selection, retention and realisation of manager appointments.

The Trustee will review an appointment if the investment objective for a manager's fund changes to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

Where the Trustee invests in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to review the appointment.

8.2. Evaluating Investment Manager Performance

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year and 3 years (where available). The Trustee reviews the absolute performance and relative performance against a suitable index used as the benchmark, and against the manager's stated target performance objective (over the relevant time period) on a net of fees basis.

The Trustee's focus on long term performance but, as noted above, may review a manager's appointment if:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager or the team responsible;
- There is a change in the underlying objectives or process of the investment manager;
- There is a significant change to the investment consultant's rating of the manager.

8.3. Portfolio Turnover Costs

The Trustee does not currently actively monitor portfolio turnover costs within the DB Section. The majority of the investment manager performance objectives are set net of all fees and costs and therefore managers are incentivised in this way to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.

The Trustee receives some MiFID II reporting from their investment managers but does not currently analyse the information. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask managers to report on portfolio turnover cost. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

The Trustee monitors portfolio turnover costs for the DC and AVC arrangements on an annual basis as part of its value for members assessment.

8.4. Manager Turnover

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. The Trustee will therefore retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The basis on which the manager was appointed changes materially (eg manager fees or investment process)

- The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

9. Realisation of Assets

In general, the Scheme's investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments. The Scheme's investment managers have responsibility for generating cash as and when required for benefit outgoings.

10. Fee Structures

The Investment Consultant is typically remunerated on a time cost basis, i.e. reflecting the time spent on a particular issue. However, where it is possible to pre-determine the scale of a particular project, it will work to an agreed fixed fee.

DB Section

The Investment Managers levy fees based on a percentage of the value of the assets under management.

DC Section

The charges for the investment options borne by members (expressed in terms of each fund's "Total Expense Ratio") are monitored by the Trustee annually to ensure that they represent "value for money" relative to the needs of the membership.

The Scheme is a qualifying scheme for auto-enrolment purposes. The Trustee monitors the compliance of the Default Option with the charge cap introduced by the Pensions Act 2014, which applies from April 2015.

Details of the investment manager fees can be found in Appendix C.

11. Compliance with this Statement

The Trustee will review this Statement regularly on the advice of Mercer. The Trustee will monitor compliance with this Statement annually, or after any significant change in strategy or manager structure.

12. Review of this Statement

The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the Company which it judges to have a bearing on the stated Investment Policy.

This review will occur no less frequently than every three years to coincide with the Actuarial Valuation and the review of the DC Default arrangements. Any such review will again be based on written, expert investment advice and will be undertaken in consultation with the Company.

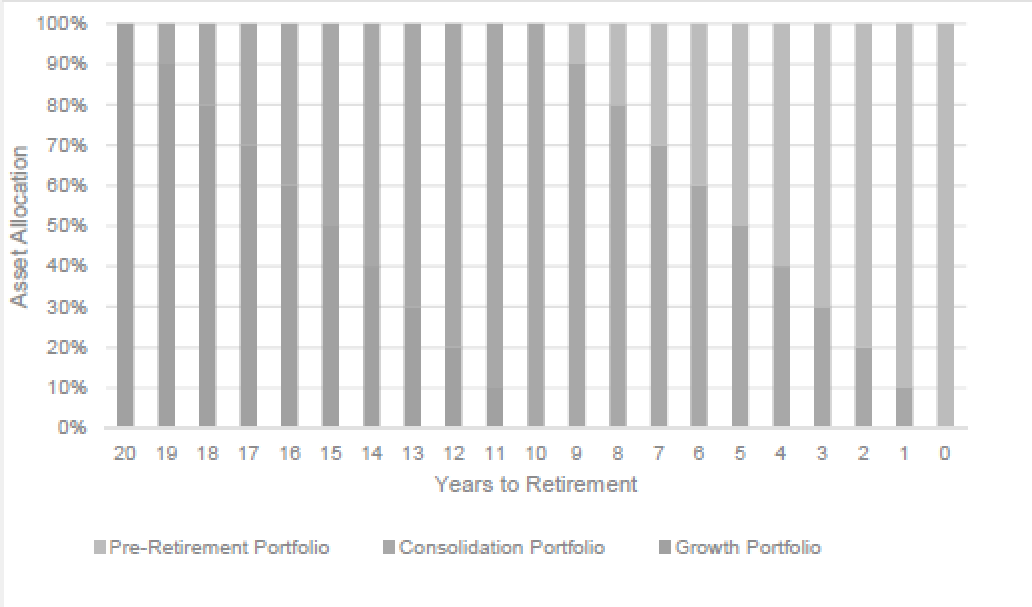
The Chair's statement included in the Annual Report and Accounts confirms the results of the monitoring during the preceding year and will require this Statement to be appended each year.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Appendix A – Default Option – BGPS Drawdown Lifestyle

The Default Option targets a blend of bonds and cash to represent an income drawdown.

The chart below shows the lifestyling structure in the 20 years prior to retirement.



Years to retirement

The current underlying fund and managers used by the Default Lifestyle are detailed below.

	Fund Name	Current Underlying Fund(s)
Growth Portfolio	BGPS Equity Fund	20% LGIM UK Equity Fund 80% LGIM World (ex UK) Developed Equity Index - GBP Hedged
Consolidation Portfolio	BGPS Diversified Growth Fund	50% LGIM Diversified Growth Fund 50% Insight Broad Opportunities Fund
Pre-Retirement Portfolio	BGPS Pre-Drawdown Fund	60% LGIM Retirement Income Multi Asset 15% LGIM AAA-AA-A Corporate Bond All Stocks – Index 25% LGIM Sterling Liquidity

The Trustee has considered risks in relation to the default from a number of perspectives. The Trustee considers how these risks are managed and monitored. The approach taken for the default does not differ from that of the Scheme. The considered risks are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their Selected Retirement Age. It is partly for this reason that the default investment option is a lifestyle strategy.

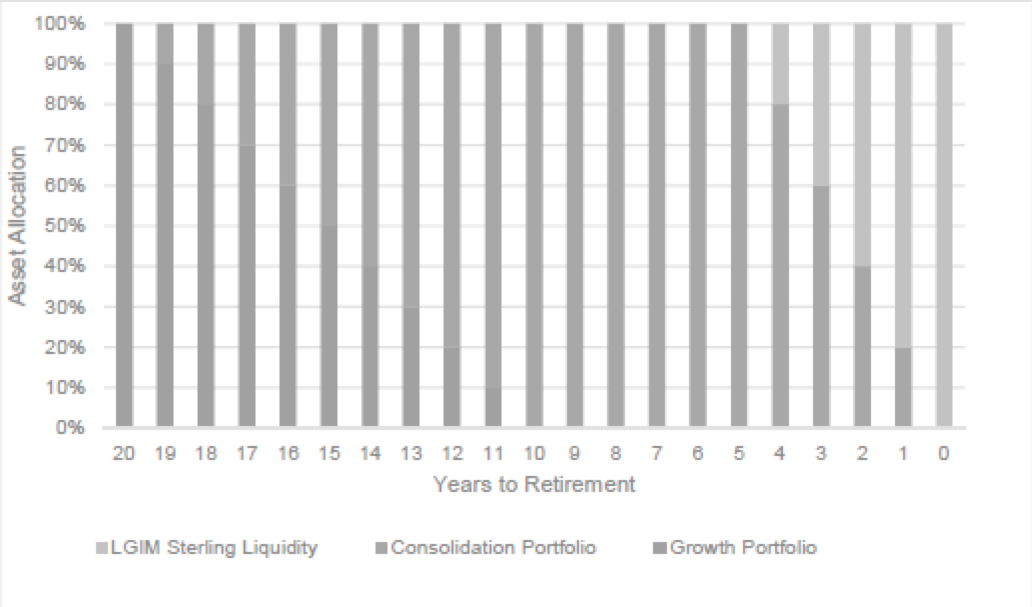
APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the default strategy outlined in this document is appropriate.

In order to ensure this remains appropriate the Trustee will undertake a review of the default investment option, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

Appendix B – Alternative lifestyle options / Additional Default Option

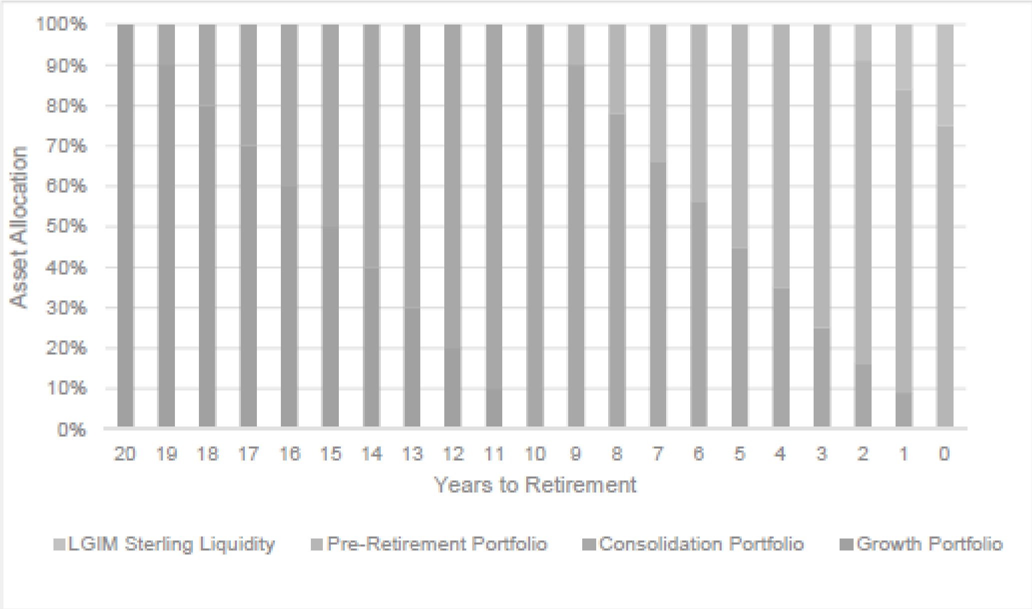
The BGPS Cash Lifestyle option targets a cash fund on retirement. The lifestyling structure is shown below.



	Fund Name	Current Underlying Fund(s)
Growth Portfolio	BGPS Equity Fund	20% LGIM UK Equity Fund 80% LGIM World (ex UK) Developed Equity Index - GBP Hedged
Consolidation Portfolio	BGPS Diversified Growth Fund	50% LGIM Diversified Growth Fund 50% Insight Broad Opportunities Fund
Pre-Retirement Portfolio	BGPS Cash Fund	100% LGIM Sterling Liquidity

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

The BGPS Annuity Lifestyle option targets an investment of mainly bonds with some cash at retirement to represent the purchase of an annuity at retirement. The lifestyling structure is shown below.



	Fund Name	Current Underlying Fund(s)
Growth Portfolio	BGPS Equity Fund	20% LGIM UK Equity Fund 80% LGIM World (ex UK) Developed Equity Index - GBP Hedged
Consolidation Portfolio	BGPS Diversified Growth Fund	50% LGIM Diversified Growth Fund 50% Insight Broad Opportunities Fund
Pre-Retirement Portfolio	BGPS Pre-Retirement Fund BGPS Cash Fund	75% LGIM Pre-Retirement Fund 25% LGIM Sterling Liquidity

APPENDIX C - Self-select fund range

Members are offered a choice of self-select investment funds across a range of asset classes and investment styles.

Fund Name	Objective	Benchmark / Comparator	TER (p.a.)
BGPS Sterling Hedged World Equity Fund (*LGIM World ex UK Developed Equity Index – GBP Hedged fund*)	The fund aims to track the performance of the benchmark (less withholding tax where applicable) - GBP Hedged to within +/-0.5% p.a. for two years out of three.	FTSE Developed World (ex UK) Index - GBP Hedged	0.13%
BGPS Global (50:50) Equity Fund (*LGIM Global Equity Fixed Weights (50:50) Index Fund*)	The fund aims to provide diversified exposure to the UK and overseas equity markets.	Composite of 50/50 distribution between UK and overseas	0.11%
BGPS World Equity Fund *(LGIM World (ex UK) Developed Equity Index Fund*)	The fund aims to track the performance of the FTSE Developed World (ex UK) Index (less withholding tax where applicable) to within +/-0.5% p.a. for two years out of three.	FTSE Developed World (ex UK) Index	0.15%
BGPS UK Equity Fund (*LGIM UK Equity Index Fund*)	The fund aims to track the performance of the benchmark (less withholding tax where applicable) to within +/-0.25% p.a. for two years out of three.	FTSE All-Share Index	0.06%
BGPS Emerging Markets Fund (*LGIM World Emerging Markets Equity Index*)	The fund aims to track the performance of the FTSE Emerging Index (less withholding tax where applicable) to within +/-1.5% p.a. for two years out of three.	FTSE Emerging Index	0.30%
BGPS Islamic Equity Fund (*LGIM HSBC Islamic Equity Index*)	The fund aims to create long-term appreciation of capital through investment in a well-diversified portfolio of equities listed worldwide, as defined by the relevant world index, in a manner that is consistent with the principles of the Shariah law.	Dow Jones Islamic Titans 100 Index	0.35%
BGPS Diversified Growth Fund (*blend of 50% LGIM Diversified Growth Fund and 50% Insight Broad Opportunities Fund*)	Composite of underlying funds	Composite of underlying funds	0.50%
BGPS Property Fund (*LGIM PMC Threadneedle Property*)	The fund aims to generate total returns (from income and capital appreciation) that are above its benchmark, over rolling 3 year periods.	AREF/IPD UK Quarterly Property Fund Index (weighted average)	0.72%

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

BGPS Future World Fund (*LGIM Future World*)	The fund aims to replicate the performance of the benchmark. The anticipated annual tracking error, in normal market conditions, relative to the index is +/-0.60% in two years out of three.	FTSE All-World ex CW Climate Balanced Factor Index	0.20%
BGPS Corporate Bond Fund (*LGIM AAA-AA-A Corporate Bond All Stocks – Index*)	The fund aims to track the performance of the Markit iBoxx £ Non-Gilts (ex-BBB) Index to within +/-0.5% p.a. for two years out of three.	Markit iBoxx £ Non-Gilts (ex-BBB) Index	0.07%
BGPS Index Linked Gilts Fund (*LGIM All Stocks Index-Linked Gilts Index*)	The fund aims to track the performance of the FTSE Actuaries UK Index-Linked Gilts All Stocks Index to within +/-0.25% p.a. for two years out of three.	FTSE Actuaries UK Index-Linked Gilts All Stocks Index	0.06%
BGPS Gilts Fund (*LGIM All Stocks Gilts Index*)	The investment objective of the fund is to track the performance of the FTSE Actuaries UK Conventional Gilts All Stocks Index to within +/-0.25% p.a. for two years out of three.	FTSE Actuaries UK Conventional Gilts All Stocks Index	0.06%
BGPS Pre-Retirement Fund (*LGIM Pre-Retirement*)	The fund aims to improve potential outcomes for investors likely to purchase traditional fixed annuities.	Composite of gilts and corporate bond funds	0.15%
BGPS Retirement Income Fund (*LGIM Retirement Income Multi Asset*)	The fund aims to provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income.	Bank of England base rate +3.5% p.a.	0.36%
BGPS Cash Fund (*LGIM Sterling Liquidity*)	The aim of the fund is to provide diversified exposure and a competitive return in relation to 7 Day LIBID.	7 Day LIBID	0.13%

Source: LGIM and investment managers.

Appendix 2
Table of funds and charges

2a Default arrangement – the BGPS Drawdown Lifestyle

The funds' charges (as "Total Expense Ratios") and transaction costs in the last Scheme year used in the BGPS Drawdown Lifestyle default arrangement were:

Fund	ISIN *	Charges **		Underlying Fund ***	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
BGPS Equity Fund	GB00B8ZVK362	0.128%	£1.28	LGIM World (ex UK) Developed Equity Index Fund - GBP Hedged LGIM UK Equity Index	0.051%	£0.51
BGPS Diversified Growth Fund	GB00B8ZVK818	0.498%	£4.98	LGIM Diversified Fund Insight Broad Opportunities Fund	0.203%	£2.03
BGPS Pre Drawdown Fund	GB00B8ZVL220	0.263%	£2.63	LGIM Retirement Income Multi Asset Fund LGIM AAA-AA-A Corporate Bond All Stocks Index LGIM Sterling Liquidity	-0.045%	-£0.45

Source: Legal & General

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

2b Lifestyle options outside the default arrangement – considered inadvertent defaults

The two lifestyle options below are considered inadvertent defaults over the reporting period.

The funds' charges (as "Total Expense Ratios") and transaction costs in the last Scheme year used in the BGPS Annuity Lifestyle option were:

Fund	ISIN *	Charges **		Underlying Fund ***	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
BGPS Equity Fund	GB00B8ZVK362	0.128%	£1.28	LGIM World (ex UK) Developed Equity Index Fund - GBP Hedged LGIM UK Equity Index	0.051%	£0.51
BGPS Diversified Growth Fund	GB00B8ZVK818	0.498%	£4.98	LGIM Diversified Fund Insight Broad Opportunities Fund	0.203%	£2.03
BGPS Pre-Retirement Fund	GB00B8ZVL774	0.151%	£1.51	LGIM Pre-Retirement Fund	0.036%	£0.36
BGPS Cash Fund	GB00B8ZVLL12	0.135%	£1.35	LGIM Sterling Liquidity	-0.150%	-£1.50

Source: Legal & General

The funds' charges (as "Total Expense Ratios") and transaction costs in the last Scheme year used in the BGPS Cash Lifestyle option were:

Fund	ISIN *	Charges **		Underlying Fund ***	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
BGPS Equity Fund	GB00B8ZVK362	0.128%	£1.28	LGIM World (ex UK) Developed Equity Index Fund - GBP Hedged LGIM UK Equity Index	0.051%	£0.51
BGPS Diversified Growth Fund	GB00B8ZVK818	0.498%	£4.98	LGIM Diversified Fund Insight Broad Opportunities Fund	0.203%	£2.03
BGPS Cash Fund	GB00B8ZVLL12	0.135%	£1.35	LGIM Sterling Liquidity	-0.150%	-£1.50

Source: Legal & General

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

2c Self-select funds

Of the funds below, the BGPS Property Fund and the BGPS Cash Fund are considered inadvertent defaults over the reporting period.

The funds' charges (as "Total Expense Ratios") and transaction costs in the last Scheme year for the self-select funds were:

Fund	ISIN *	Charges **		Underlying Fund ***	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
BGPS UK Equity Fund	GB00B8ZVLN36	0.111%	£1.11	LGIM UK Equity Index	-0.020%	-£0.20
BGPS World Equity Fund	GB00B8ZVLT97	0.152%	£1.52	LGIM World (ex UK) Developed Equity Index Fund	-0.014%	-£0.14
BGPS Sterling Hedged World Equity Fund	GB00B8ZVLQ66	0.132%	£1.32	LGIM World (ex UK) Developed Equity Index Fund - GBP Hedged	0.041%	£0.41
BGPS Emerging Markets Fund	GB00B8ZVK925	0.223%	£2.23	LGIM World Emerging Markets Equity Index	0.019%	£0.19
BGPS Global (50:50) Equity Fund	GB00B8ZVLX34	0.138%	£1.38	LGIM Global Equity Fixed Weights (50:50) Index Fund	0.002%	£0.02
BGPS Islamic Equity Fund	GB00B8ZVLG68	0.350%	£3.50	LGIM HSBC Islamic Equity Index	0.031%	£0.31
BGPS Diversified Growth Fund	GB00B8ZVK818	0.498%	£4.98	LGIM Diversified Fund Insight Broad Opportunities Fund	0.203%	£2.03
BGPS Future World Fund	GB00B8ZVL550	0.205%	£2.05	LGIM Future World Fund	0.053%	£0.53
BGPS Pre-Retirement Fund	GB00B8ZVL774	0.151%	£1.51	LGIM Pre-Retirement Fund	0.036%	£0.36
BGPS Retirement Income Fund	GB00B8ZVL998	0.366%	£3.66	LGIM Retirement Income Multi Asset Fund	-0.004%	-£0.04
BGPS Gilts Fund	GB00B8ZVKL47	0.060%	£0.60	LGIM All Stocks Gilts Index	-0.033%	-£0.33
BGPS Index-Linked Gilts Fund	GB00B8ZVKJ25	0.050%	£0.50	LGIM All Stocks Index Linked Gilts Fund	0.023%	£0.23
BGPS Corporate Bond Fund	GB00B8ZVLZ57	0.065%	£0.65	LGIM AAA-AA-A Corporate Bond All Stocks Index	-0.021%	-£0.21
BGPS Property Fund	GB00B8ZVKD62	0.690%	£6.90	Threadneedle Property Fund (GBP)	0.046%	£0.46
BGPS Cash Fund	GB00B8ZVLL12	0.135%	£1.35	LGIM Sterling Liquidity	-0.150%	-£1.50

Source: Legal & General

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

* ISIN = the International Securities Identification Number unique to each fund.
** Charges = the funds’ Total Expense Ratio (“TER”), which includes the funds’ Annual Management Charge (“AMC”) and Operating Costs and Expenses (“OCE”).
*** Underlying Fund = the fund in which the Scheme’s top level Fund invests.

2d Legacy Additional Voluntary Contributions

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the legacy AVC funds were:

Fund	ISIN *	Underlying Fund***	Charges **		Transaction costs	
			% p.a. of the amount invested	£ p.a. per £1,000 invested	% p.a. of the amount invested	£ p.a. per £1,000 invested
Utmost Life						
UK FTSE All Share Tracker	GB00B61C0396	ASI UK All Share Tracker Fund	0.50%	£5.00	0.11%	£1.10
	GB00BJ0LS895	JPM UK Equity Index				
Asia Pacific Equity	GB00BRJL7V21	ASI Asia Pacific Equity Enhanced Index	0.75%	£7.50	0.43%	£4.30
	GB00BJ0LBC40	JPM Asia Pacific Equity				
Managed	Composite	Composite	0.75%	£7.50	0.13%	£1.30
UK Equity	GB00BRJL8531	ASI UK Equity Enhanced Index	0.75%	£7.50	0.54%	£5.40
	GB00BJXD1K58	JPM UK Equity Core				
European Equity	GB00BRJL7X45	ASI European Equity Enhanced Index Fund	0.75%	£7.50	0.47%	£4.70
	GB00BJ0LBD56	JPM Europe (Ex UK) Research Enhanced				
Global Equity	GB00BRJL7Z68	ASI World Equity Enhanced Index Fund	0.75%	£7.50	0.28%	£2.80

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

	GB00BJ0LBG87	JPM Global Research Enhanced Index				
Fund of Investment Trust	GB00B29MCX79	Halifax Fund of Investment Trust	0.75%	£7.50	0.38%	£3.80
Money Market	LU0966092990	ASI Liquidity Fund (Lux) - Sterling Fund	0.50%	£5.00	0.00%	£0.00
	LU1873130667	JPM GBP Liquidity LVNAV				
Clerical Medical Unitised With-Profit Fund held with Utmost Life†	N/A	N/A	0.50%	£5.00	0.33%	£3.30
US Equity	GB00BRJL8192	ASI American Equity Enhanced Index	0.75%	£7.50	0.18%	£1.80
	Requested	JPM US Research Enhanced Index				
Property	GB00BTLX1F24	Aberdeen UK Property	1.00%	£10.00	0.00%	£0.00
Phoenix						
Phoenix LL Pension Traditional With Profits – V1 Fund ††	Requested	N/A	1.00%	£10.00	0.54%	£5.40
Scottish Friendly						

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Scottish Friendly – With Profits	N/A	N/A	n/a – see section 4			
Clerical Medical						
Clerical Medical UK Growth Pension (policy 67531)	GB0002042116	N/A	N/A	N/A	0.39%†††	£3.90†††
Clerical Medical With Profits Funds (policy 67531) †††	GB0002038981 (Regular) GB0002039732 (Single)	N/A	N/A	N/A	0.41%	£4.10
Clerical Medical UK Index-Linked Gilt Pension (policy 67531) ††††	GB0002040516	N/A	N/A	N/A	-0.02%††††	-£0.20††††
Clerical Medical Balanced Pension (policy 67531)	GB0002039955	N/A	N/A	N/A	0.44%	£4.40
Clerical Medical International Growth Pension (policy 67531)	GB0002040953	N/A	N/A	N/A	0.36%	£3.60
Clerical Medical International	GB0002040953	N/A	N/A	N/A	Requested	Requested

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Growth Pension (policy 71732)						
Clerical Medical UK Growth Pension (policy 71732)	GB0002042116	N/A	N/A	N/A	Requested	Requested
Clerical Medical Balanced Pension (policy 71732)	GB0002039955	N/A	N/A	N/A	Requested	Requested

Source: Utmost Life / Phoenix / Scottish Friendly / Clerical Medical

† The Transaction Costs figures given here are for the reporting period 1 October 2019 to 30 September 2020. The funds have their own reporting cycles and account year ends and as such transaction costs cannot be provided for the requested period.

†† The Charges and Transaction Costs figures given here are for the reporting period 1 January 2020 to 31 December 2020. The funds have their own reporting cycles and account year ends and as such transaction costs cannot be provided for the requested period.

††† The Charges and Transaction Costs figures given here are for the reporting period 1 February 2020 to 31 January 2021. The funds have their own reporting cycles and account year ends and as such transaction costs cannot be provided for the requested period.

†††† The Charges and Transaction Costs figures given here are for the reporting period 1 March 2020 to 28 February 2021. The funds have their own reporting cycles and account year ends and as such transaction costs cannot be provided for the requested period.

* ISIN = the International Securities Identification Number unique to each fund.

** Charges = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Costs and Expenses.

***Underlying Fund = the fund in which the Scheme's top level Fund invests.

Appendix 3

Tables illustrating the impact of charges and costs

The following tables show the potential impact of the costs and charges borne by a typical member on projected values in today's money at several times up to retirement for a selection of funds:

3a For the default arrangement (the BGPS Drawdown Lifestyle)

For members initially aged 45 with a starting pot size of £29,300, an annual salary of £33,600 and a total contribution of 9% p.a. (3% employee, 6% employer).

Years to retirement	Before costs and charges £	After costs and charges are taken £
1	£114,874	£107,312
3	£105,682	£99,042
5	£96,278	£90,699
10	£72,498	£69,867
15	£49,789	£49,105
20	£29,300	£29,300

Source: Hymans Robertson

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

For members initially aged 22 with a starting pot size of £0, an annual salary of £20,000 and a total contribution of 9% p.a. (3% employee, 6% employer).

Years to retirement	Before costs and charges £	After costs and charges are taken £
1	£146,628	£133,227
3	£138,626	£126,459
5	£130,183	£119,478
10	£107,788	£101,396
15	£85,235	£82,085
20	£63,914	£62,251
25	£45,281	£44,370
30	£29,628	£29,202
35	£16,531	£16,386
40	£5,625	£5,606
43	£0	£0

Source: Hymans Robertson

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

3b For the alternative lifestyle options available to members

For members initially aged 45 with a starting pot size of £29,300, an annual salary of £33,600 and a total contribution of 9% p.a. (3% employee, 6% employer).

Years to retirement	BGPS Annuity Lifestyle Option		BGPS Cash Lifestyle Option	
	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £
1	£107,754	£101,139	£114,956	£106,390
3	£101,691	£95,579	£107,619	£99,998
5	£94,485	£89,135	£97,465	£91,385
10	£72,498	£69,867	£72,498	£69,867
15	£49,789	£49,105	£49,789	£49,105
20	£29,300	£29,300	£29,300	£29,300

Source: Hymans Robertson

For members initially aged 22 with a starting pot size of £0, an annual salary of £20,000 and a total contribution of 9% p.a. (3% employee, 6% employer).

Years to retirement	BGPS Annuity Lifestyle Option		BGPS Cash Lifestyle Option	
	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £
1	£137,176	£125,249	£146,889	£132,150
3	£133,218	£121,887	£141,280	£127,743
5	£127,698	£117,364	£131,829	£120,405
10	£107,788	£101,396	£107,788	£101,396
15	£85,235	£82,085	£85,235	£82,085
20	£63,914	£62,251	£63,914	£62,251
25	£45,281	£44,370	£45,281	£44,370
30	£29,628	£29,202	£29,628	£29,202
35	£16,531	£16,386	£16,531	£16,386
40	£5,625	£5,606	£5,625	£5,606
43	£0	£0	£0	£0

Source: Hymans Robertson

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Assumptions

The assumptions used in these calculations were:

- The opening DC pot size for members within the Scheme is £29,300, which was the average pot size for members at 31 March 2021.
- A contribution in current day terms of £3,024 p.a., which was the average contribution (9%) using a salary of £33,600. This was the average salary for members during 2019/20. The average pensionable salary at 31 March 2021 was unavailable at the time of writing, as confirmed by Buck, the Scheme's administrator;
- The gross investment return for each fund above was:

Fund	Return % p.a.
BGPS Equity Fund	5.50%
BGPS Diversified Growth Fund	4.50%
BGPS Pre Drawdown Fund	3.15%
BGPS Pre-Retirement Fund	1.40%
BGPS Cash Fund	0.75%
BGPS Emerging Markets	5.50%
BGPS UK Equity Fund	5.50%

- In the projections, an inflationary increase of 2.5% was applied and a real salary growth rate of 1%;
- The TERs over the reporting period as reported in this Statement;
- The transaction costs over the last two reporting periods, which are the only full year periods since the funds' inception date with L&G;
- The assumptions as used in the Statutory Money Purchase Illustrations included with members' benefit statements have otherwise been used;
- For funds where transaction costs over the reporting period were negative, the calculations assume no transaction costs for prudence. Transaction costs for the above funds are since 1 April 2019.

Please note that these illustrated values:

- Are estimates using assumed rates of future investment returns and inflation which may not be borne out in practice;
- The assumptions used may differ in the future to reflect changes in regulatory requirements or investment conditions;
- Will be affected by future, and as yet unknown, changes to the Scheme's investment options;
- Are not guaranteed;
- Depend upon how far members in the default lifestyle option are from retirement as the funds used change over time;
- May not prove to be a good indication of how your own savings might grow;
- Comply with the Technical Actuarial Standards (TAS) 100: Principles for Technical Actuarial Work.

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Appendix 4

Investment performance

Default arrangement – The BGPS Drawdown Lifestyle

The investment performance of the funds used in the default arrangement during periods up to 31 March 2021 net of all costs and charges expressed as an annual percentage were:

Fund	1 year	Since inception % p.a. (03/12/2018)
BGPS Equity Fund	45.45%	12.81%
BGPS Diversified Growth Fund	17.47%	5.80%
BGPS Pre Drawdown Fund	9.89%	4.84%

Source: Legal & General

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Other default arrangements

The BGPS Annuity Lifestyle

The investment performance of the funds used in the other default arrangements during periods up to 31 March 2021 net of all costs and charges expressed as an annual percentage were:

Fund	1 year	Since inception % p.a. (03/12/2018)
BGPS Equity Fund	45.45%	12.81%
BGPS Diversified Growth Fund	17.47%	5.80%
BGPS Pre Retirement Fund	2.63%	7.17%
BGPS Cash Fund	0.06%	0.41%

Source: Legal & General

The BGPS Cash Lifestyle

The investment performance of the funds used in the other default arrangements during periods up to 31 March 2021 net of all costs and charges expressed as an annual percentage were:

Fund	1 year	Since inception % p.a. (03/12/2018)
BGPS Equity Fund	45.45%	12.81%
BGPS Diversified Growth Fund	17.47%	5.80%
BGPS Cash Fund	0.06%	0.41%

Source: Legal & General

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

The investment performance of the funds used in the other default arrangements during periods up to 31 March 2021 net of all costs and charges expressed as an annual percentage were:

Fund	1 year	Since inception % p.a. (03/12/2018)
BGPS Cash Fund	0.06%	0.41%
BGPS Property Fund	1.62%	-3.66%*

Source: Legal & General; * Performance since 22 August 2019

APPENDICES:
Annual Statement by the Chair of the Trustee Board for the year to 31 March 2021

Self-select funds

The investment performance of the funds used in the other investment options during periods up to 31 March 2021 net of all costs and charges expressed as an annual percentage were:

Fund	1 year	Since inception % p.a. (03/12/2018 unless
BGPS UK Equity Fund	28.82%	3.19%
BGPS World Equity Fund	38.54%	13.54%
BGPS Sterling Hedged World Equity Fund	49.80%	15.28%
BGPS Emerging Markets Fund	40.35%	10.17%
BGPS Global (50:50) Equity Fund	33.30%	7.68%
BGPS Islamic Equity Fund	35.41%	17.43%*
BGPS Diversified Growth Fund	17.47%	5.80%
BGPS Future World Fund	36.36%	10.42%
BGPS Pre-Retirement Fund	2.63%	7.20%
BGPS Retirement Income Fund	15.67%	6.50%
BGPS Gilts Fund	-5.80%	4.14%
BGPS Index-Linked Gilts Fund	-1.55%	5.37%
BGPS Corporate Bond Fund	4.20%	4.93%
BGPS Cash Fund	0.06%	0.41%
BGPS Property Fund	1.62%	-3.66%*

Source: Legal & General; * Performance since 22 August 2019