

BAXI GROUP PENSION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Registrar of Occupational and Personal Pension Schemes
Registration Number 10003248

**BAXI GROUP PENSION SCHEME
YEAR ENDED 31 MARCH 2023**

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BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE AND ADVISERS

Trustee	Baxi Group and Newmond Pension Trustees Limited	
Trustee Directors	BESTrustees Limited (the independent trustee) (represented by Chris Parrott – Chairman from December 2022, previously Mark Taylor, until December 2022) Philip Lowton* (until 7 October 2022) Simon Oliver (until 3 May 2023) Diane Sutherland Steve Randall John McFaul** Katie Wright* Claire Carlin * Member Nominated Director ** Pensioner Director nominated by both the Scheme and related Newmond Pension Plan	
Secretary to the Trustee	Vikki Hall	
Secretary to the Trustee Directors	Trustee Solutions Limited	
Principal employer	Baxi Group Limited	
Participating employer	Baxi Heating UK Limited	
Actuary	Matthew Jones, Mercer Limited Sophie Young, Mercer Limited	(until 31 July 2022) (from 1 August 2022)
Scheme administrator	Buck, A Gallagher Company (Buck)	
Independent auditors	PricewaterhouseCoopers LLP	
Bankers	Lloyds Bank Plc	
Legal advisers	Pinsent Masons LLP	
Investment adviser	Mercer Limited	
Covenant adviser	Grant Thornton UK LLP	

**BAXI GROUP PENSION SCHEME
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TRUSTEE AND ADVISERS

Defined Benefit Investment managers	Legal & General Assurance (Pensions Management) Limited BlackRock Investment Management (UK) Limited Schroder Investment Management Limited
Defined Contribution Investment managers	Legal & General Assurance (Pension Management) Limited Clerical Medical Investment Group Limited
Investment custodians	Citibank NA for Legal & General Assurance (Pensions Management) Limited Bank of New York Mellon for Blackrock Investment Management (UK) Limited Chase Nominees Limited for Schroder Investment Management Limited
AVC providers	Clerical Medical Investment Group Limited Utmost Life and Pensions Limited Phoenix Life Scottish Friendly Assurance Society Legal & General Assurance (Pensions Management) Limited

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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 2023.

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 (the "Trustee"), appointed by the principal employer.

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 Baxi Group Limited and its subsidiary companies in the United Kingdom. The Defined Contribution ("DC") section is open to all employees of Baxi Group Limited 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 attend at least one meeting per year. During the year under review, the Trustee held meetings, including the DC and Administration sub-committees, on 15 occasions (2022: 12).

All occupational pension schemes must implement arrangements that provide for at least one-third of the total number of Trustee board directors 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, five 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). Two 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 related 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 payable mostly to BESTrustees Limited, along with a small amount of additional Trustee expenses.

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

Matthew Jones, from Mercer Limited, resigned his position as the Scheme Actuary on 31 July 2022. Sophie Young was appointed as the replacement Actuary, also from Mercer Limited from 1 August 2022. In his letter of resignation Mr Jones confirmed that he was not aware of any circumstances connected with his resignation which, in his opinion, significantly affect the interests of members or prospective members of, or beneficiaries under, the Scheme.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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 decreased by £100.0 million (2022: increased by £2.6m), arising as follows:-

	2023				2022
	£m				£m
Net withdrawals from dealings with members	(3.5)				(7.9)
Net (losses)/returns on investments	(96.5)				10.5
Net (decrease) / increase in the fund	(100.0)				2.6
	Defined Benefit Section	Defined Contribution Section	Defined Benefit Section	Defined Contribution Section	
	2023	2023	2022	2022	
	£m	£m	£m	£m	
Net (withdrawals) / additions from dealing with members	(5.2)	1.7	(7.9)	0.0	
Net (losses)/returns on investments	(91.7)	(4.8)	5.1	5.4	
Net (decrease) / increase in the fund	(96.9)	(3.1)	(2.8)	5.4	

Membership

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

Defined Benefit Section	Active members	Deferred Pensioners	Pensioners	Total
Members at 1 April 2022	101	791	1,968	2,860
Adjustments	-	(4)	(12)	(16)
Adjusted membership at 1 April 2022	101	787	1,956	2,844
Members retiring	(5)	(50)	55	-
Members leaving prior to pensionable age	(9)	9	-	-
Members leaving with a transfer out	-	(12)	-	(12)
Trivial commutations	-	-	(2)	(2)
Deaths	-	(3)	(48)	(51)
Spouse and dependant cessations	-	-	(22)	(22)
New spouse and dependant pensions	-	-	27	27
Membership as at 31 March 2023	87	731	1,966	2,784

Pensioners include 4 child pensioners (2022: 3) and 349 spouse/dependants' pensions (2022: 342).

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Membership (continued)

Defined Contribution Section	Active members	Deferred Pensioners	Total
Members at 1 April 2022	1,039	1,531	2,570
Adjustments	(18)	16	(2)
Adjusted membership at 1 April 2022	1,021	1,547	2,568
New members joining	286	-	286
Death in service/deferment	(2)	(5)	(7)
Members leaving prior to pensionable age	(197)	197	-
Members leaving with a transfer out	(1)	(52)	(53)
Retirements in the year	-	(22)	(22)
Membership as at 31 March 2023	1,107	1,665	2,772

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 2022, all pensions in payment were increased. The excess over the Guaranteed Minimum Pension (GMP) element of pensions increased by 3.0% (1 July 2021: 1.5%). This was based on the increase in the Retail Price Index ("RPI") to March 2022 and applied to all pensioners. Post 1988 GMP elements were increased by 3.0% (2021: 0.5%) and post 1 November 2006 elements were increased by 2.5% (2021: 1.5%).

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 Consumer Price Index (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; and

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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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 Scheme was undertaken as at 31 March 2021. An updated Actuarial Report was produced as at 31 March 2022.

A summary of the funding position in accordance with the Statutory Funding Objective, at the valuation date and as at 31 March 2022, were as follows:

	Actuarial Valuation 31 March 2021	Update 31 March 2022
Value of assets available to meet technical provisions	£430.7m	£427.5m
Value of technical provisions	£485.1m	£466.6m
Past service deficit	£54.4m	£39.1m
Funding ratio	89%	92%

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 using the projected unit credit method:

- 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 2021 valuation the adjustment was a deduction of 1.0% per annum up to 2030 and no deduction after 2030.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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 2021, the Jarrow-Yildirim model is used to derive rates with appropriate caps and collars from forward rates of price inflation.
- Pay increases – Career Averaged Revalued Earnings (CARE): Past service benefits are assumed to increase in line with CPI during each relevant member's respective remaining employment. Future increases in earnings for this group are assumed to increase at 1.25% p.a. above RPI with an allowance for additional 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 S3PA Year of Birth tables ("middle" for females) with improvements based on the CMI 2020 model (smoothing parameter of 7.5 and a w parameter of 0) with a long term improvement rate of 1.5% p.a. The following weightings are applied to the base tables:
 - a) Male non-pensioners: 108%
 - b) Female non-pensioners: 101%
 - c) Male pensioners: 105%
 - d) Female pensioners: 103%
- An additional reserve, calculated as 2% of the liabilities, is also included in the technical provisions.

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 14 May 2020. A new Schedule of Contributions was certified by the Actuary on 27 June 2022 which then replaced this version.

As shown above, the actuarial valuation at 31 March 2021 revealed a funding shortfall of £54.4m. The Trustee agreed a recovery plan with the Principal Employer to eliminate this shortfall which includes:

- Monthly contributions of £1,091,819 from 1 July 2022, increasing annually in line with RPI, until 31 January 2025.

In addition, the Employer has agreed to pay the following:

- Contributions in respect of benefit accrual at a rate of 37.5% of Pensionable Salaries.
- Monthly contributions towards expenses at the rate of £100,000, increasing annually in line with RPI, from 1 July 2022.
- 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. No contingent contributions were due as at 31 March 2023 or 2022. The next assessment date is 31 March 2024.

The next actuarial valuation is due as at 31 March 2024.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

GMP Equalisation

In October 2018, the High Court ruled that benefits provided to members who had contracted out of their scheme must be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 6 April 1997 for both men and women. The Trustee is reviewing, with its advisers, the implication of this ruling on the Scheme in the context of the rules of the Scheme and the value of an estimate of the Scheme's potential liability arising from GMP equalisation in respect of backdated benefits and related interest. Once the effect on individual members' benefits has been calculated and the liability quantified, this will be communicated to the members.

A supplemental ruling in November 2020 clarified the position in relation to historic transfers out. This ruling requires the rectification of any shortfall in these transfer values, calculated on the basis of unequalised GMPs. The Trustee is working with the Scheme administrator to finalise GMP and data rectification.

Benefit Audit

The Trustee is undertaking a check of historic benefits to ensure that 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 that 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 benefits paid will be accounted for in the year they are determined.

Administration Services

The Trustee has taken the decision to change the provider of the DB administration services from Buck to Mercer Limited. However, prior to transferring the administration services the Trustee is going to deal with the issues identified from the benefit audit (see above), and so the transfer is unlikely to be completed until late 2023. The DC administration services will continue to be provided by Buck.

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 Money and Pensions Service ("MAPS") who can be contacted at 120 Holborn, London EC1N 2TD. If a member has a complaint which MAPS is unable to resolve, then they can ask for a ruling from the Pensions Ombudsman who can be contacted at the same address.

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. Email: baxipensions@buck.com.

The Annual DC Governance Statement for the year ended 31 March 2023 is set out in the Appendix and forms part of this Trustee's Report.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report 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"), 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, Phoenix Life, Scottish Friendly Assurance Society and LGIM.

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 2023 is to hold (all through pooled investment vehicles):

- 75% 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.
- 25% in return seeking assets comprising UK equities, overseas equities, and diversified growth funds.

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 included as an appendix within this report.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report (continued) DB Section (continued)

Investment Principles (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 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

The SIP was last reviewed over the year to 31 March 2022.

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 governance ("ESG") and ethical factors (including climate related risks) 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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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 the ESG ratings provided by Mercer Limited 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 Limited 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 has carried out an ESG beliefs session which determined its key themes and priorities in relation to ESG and sustainability risks are in relation to:

- **Environment** – reduction in carbon emissions and align with the Paris Agreement on climate change;
- **Governance** – commitments to board diversity.

The above key themes and priorities aligns with the strategic priorities of the Principal Employer. The Trustee will look for opportunities to engage with its investment managers on these areas, where appropriate, and disclose voting information in its SIP Implementation Statement in connection with these two key themes.

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 adviser, 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 adviser'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 adviser'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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report (continued) DB Section (continued)

Investment Manager Appointment, Engagement and Monitoring (continued)

Aligning Manager Appointments with Investment Strategy (continued)

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.

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 focuses 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; and
- There is a significant change to the investment consultant's rating of the manager.

Implementation Statement

The Scheme's annual Implementation Statement for the year ended 31 March 2023 is set out in the Appendix and forms part of this Trustee's Report.

Market Background

Investment Markets¹

The second quarter of 2022 saw a continuation of the broad macro trends seen since the beginning of 2022. Surging commodity prices, to some degree the result of the ongoing conflict in Ukraine and associated sanctions against Russia, alongside the enormous monetary and fiscal stimulus of the last two years led to new multi-decade inflation records. Central banks in major regions doubled down on monetary tightening as a consequence, resulting in elevated market volatility and a sell-off in pretty much all asset classes except commodities. Growth expectations were dialed down over the quarter, with a growing number of investors seeing a recession as an increasingly plausible scenario. On the brighter side, there was evidence of supply chains gradually beginning to improve.

¹ Statistics sourced from Refinitiv unless otherwise specified.

² Statistics sourced from MSCI Investment Property Database.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report (continued) DB Section (continued)

Market Background (continued)

Investment Markets¹ (continued)

Inflation and central bank policy continued to drive markets in the third quarter of 2022. Inflation readings in most major regions remained high and rising. Central banks therefore continued to tighten monetary policy and maintained a hawkish outlook, resulting in elevated market volatility. Risk assets rose in July on the back of hopes of inflation peaking and the hiking cycle ending, but these hopes were quashed later in the quarter. Furthermore, markets priced in the increasing risk of a recession resulting from the monetary tightening. Therefore most major asset classes ended the quarter with negative returns. Significant continued weakening in sterling mitigated the drawdown for unhedged UK investors. The conflict in Ukraine added to negative sentiment as Russia stepped up its anti-west rhetoric and further restricted natural gas supplies to Europe which exacerbated pressure on energy prices. Volatility spiked in UK markets at the end of Q3 2022 as an unfunded fiscal budget led to a sell-off in government bond markets.

In Q4, developed market central banks continued tightening monetary policy but at a slowing pace. Inflation remained on a downward trend from high levels. In China, an end to all Covid-related restrictions boosted sentiment as investors priced in an economic rebound. The narrative of peaking inflation and resilient economic growth drove positive equity returns during October and November, but hawkish messaging from central banks in December led to a premature end of the "Santa rally" even though the quarter as a whole ended with positive equity returns for the first time in a year.

The first quarter of 2023 started with optimism over declining inflation and a hope of an end to monetary tightening. The demise of Silicon Valley Bank (SVB), the second largest US bank failure in history, and UBS's shotgun takeover of Credit Suisse in March were the major events of the quarter that briefly rattled markets until calm returned towards quarter end. Developed market central banks continued raising interest rates through the quarter as overall growth momentum remained robust. Headline inflation continued to slow in major developed economies, except for the UK, but core inflation remained more elevated than expected.

Overall, the year to 31 March 2023 saw tightening of financial conditions by major central banks, with the notable exception of China and to some extent Japan, who changed their yield curve control in Q4 2022 by widening the permitted range of the 10-year yield. Inflation remained elevated and peaked in 2022 Q4.

On a year-on-year basis to 31 March 2023, Sterling returns for developed market equities were marginally negative, -0.7%. Sterling depreciation mitigated negative equity performance for unhedged UK investors. Emerging market equities also posted negative returns. Markets sold off for the first three quarters of 2022 as inflationary pressures, exacerbated by Russia's invasion of Ukraine, accelerated monetary tightening from developed market central banks and heightened recessionary risks. Markets attempted to stage a mini-rally in July 2022 but this proved short lived as the Federal Reserve re-iterated its hawkish outlook for monetary policy. A similar rally took place in October and November following some softer than expected US inflation data but positive momentum came once again to an end in December after major central banks retained their hawkish forward guidance. Q1 was a volatile quarter once again as a speculative rally in January characterized by short selling gave way to a risk off environment driven by distress in the banking system with investor expectations pivoting between monetary tightening ending and having to continue for longer. The quarter ended with positive returns for most equity sub sectors, in particular technology which benefited from falling real yields.

On a year-on-year basis to 31 March 2023, UK government bond returns were deeply negative, -16.3%, as were returns for UK corporate bonds, -10.3%. Inflation-linked bonds also performed poorly over the year, -26.7%.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report (continued) DB Section (continued)

Market Background (continued)

Investment Markets¹ (continued)

In 2022, inflation pressures in the UK showed little signs of receding until very late in the year. The Bank of England had started its hiking cycle as early as late 2021. By the end of Q2 2022 the UK base rate reached 1.25%. In September 2022, the UK went through a major government bond (gilt) sell-off after the government announced a mini budget that markets deemed fiscally unsound. In the immediate aftermath following the mini-budget, 10-year yields spiked ~70 bps higher. Two weeks following the announcement despite volatility falling, 10-year yields remained 40 bps higher than where they were prior to the announcement, this said over this period gilts did not perform considerably different to other government bonds globally. For context, over the year to 31 March 2023, 10-year UK gilts yields rose 188 bps. Markets positioned for the Bank of England having to double down on tightening in order to offset the expansionary mini budget. Soaring yields led to a scramble for collateral by UK pension plans who were exposed to leveraged liability hedging strategies. This ultimately led to the Bank of England providing liquidity support at the longer end of the yield curve. However, the Bank of England also continued to raise rates in the third and fourth quarter of 2022, ending the year at a base rate of 3.5%. Bond yields fell slightly through Q1 2023 despite the Bank of England continued raising rates, with the base rate increasing 0.75%, finishing March 2023 at 4.25%.

UK real yields rose over the year to 31 March 2023, with most of the increase in yields occurring in Q3 2022, in particular September. 10-year real yields rose 247 bps over the 1 year period to 31 March 2023. Market-based measures of inflation, as measured by the 10-year break-even inflation rate fell by 57 bps over the year reaching 3.7% as at the end of March 2023 – lower than the recent peak of 4.5% reached in May 2022. For context, the 5-year high for 10-year UK breakeven inflation was in March 2022 when market-based measures of inflation expectations were 4.64%.

Both investment grade and high yield credit spreads widened over the year to 31 March 2023, leading to a negative performance for spread based assets, albeit most of the negative impact was led by rising gilt yields. The negative return impact of rising government bond yields was exacerbated by rising credit spreads. Non-gilt credit spreads widened by 39 bps over the year to 31 March 2023. Credit marginally underperformed equivalent duration government bonds. However, given most bond indices were down in double digit figures over the year to 31 March 2023 this relative underperformance was not a headline.

Equity Markets

At a global level, developed markets as measured by the FTSE World index, returned -0.7%. Meanwhile, a return of -3.9% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 8.7% 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 2.9%. The FTSE USA index returned -2.4% while the FTSE Japan index returned 2.0%. The considerable outperformance of UK equities is attributed to the index's large exposure to oil, gas and basic materials.

Equity market total return figures are in Sterling terms over the year to 31 March 2023.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report (continued) DB Section (continued)

Market Background (continued)

Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -16.3%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -29.7% over the year. Yields at the longer end of the nominal yield curve rose less than the shorter end but this was offset by the duration impact on the longer-dated gilt returns. The yield for the FTSE Gilts All Stocks index rose over the year from 1.7% to 3.7% while the Over 15 Year index yield rose from 1.1% to 3.8%.

The FTSE All Stocks Index-Linked Gilts index returned -26.7% with the corresponding over 15-year index exhibiting a return of -39.1%. The combination of falling inflation expectations and increasing nominal yields led to a sharp rise in real yields and underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned -10.3%.

Bond market total return figures are in Sterling terms over the year to 31 March 2023.

Currencies

Over the year to 31 March 2023, Sterling depreciated by 6.1% against the US Dollar from \$1.32 to \$1.24. Sterling appreciated by 3.0% against the Yen from ¥159.81 to ¥164.56. Sterling depreciated against the Euro by 4.2% from €1.19 to €1.14 over the same period.

Property²

Over year to 31 March 2023, the MSCI UK All Property Index returned -14.7% in Sterling terms. All three main sectors of the UK Property market too recorded negative returns over the period (retail: -14.0%; office: -18.5%; and; industrial -28.5%).

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report (continued) DB Section (continued)

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):

	2023	2022
	(£m)	(£m)
<hr/>		
Growth Portfolio		
Pooled equity investment funds	16.8	24.1
Pooled diversified growth funds	77.6	89.9
Matching / Liability Hedging Portfolio		
Pooled Corporate Bonds Fund	114.3	139.6
Pooled Liability Driven Investment ("LDI")	116.2	164.4
Cash*	4.4	8.0
<hr/>		
Total invested assets	329.3	426.0
<hr/>		

Source: Investment managers and Mercer.

Bid values shown where applicable.

* Cash held in pooled investment vehicle (Sterling Liquidity Fund), managed by LGIM.

The Trustee's objective is to hedge 90% of the impact of changes in long-term interest rates and inflation expectations on the value of the Scheme's liabilities (measured on the technical provisions basis). This is achieved mainly via the use of a combination of UK government bonds and leveraged LDI solutions within the LDI portfolio.

LGIM has discretion over the how the liability hedge within the LDI portfolio is constructed, using a range of eligible pooled funds specified by the Trustee. LGIM will monitor the level of liability hedging at each five-year tenor point, as well as at the total Scheme level, and will rebalance the hedge if the level of liability hedging is not within a $\pm 5\%$ tolerance range of the 100% target (at both the tenor point and total Scheme level). The rebalancing activity is carried out under the Enhanced Service Agreement. LGIM's objective is to maintain a pro-rata hedge relative to the term structure of the Scheme's liabilities, taking into account the liability hedging provided by the Scheme's allocation to the corporate bond holdings.

During the gilt crisis over September/October 2022, LGIM carried out several hedging rebalancing trades which involved transferring assets between leveraged gilt funds, physical gilt funds and the Sterling Liquidity Fund. LGIM traded in order to fund capital calls from underlying leveraged pooled funds in the portfolio and maintain liability hedging within a $\pm 5\%$ tolerance range of the 90% target. This is the process embedded in the Enhanced Service Agreement.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report (continued) DB Section (continued)

Asset Allocation (continued)

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

- The pooled equity investment funds, pooled corporate bond fund and pooled LDI funds are weekly priced and traded;
- The LGIM Diversified Growth Fund is weekly priced and traded; and
- The diversified growth funds managed by BlackRock and Schroder are daily priced and traded.

Investment Performance

The performance of the Scheme's assets compared with its benchmark excluding fees for periods to 31 March 2023 are shown in the table below:

	1 Year % per annum	3 Years % per annum	5 Years % per annum
Scheme	-21.5	-4.4	-0.7
Benchmark	-20.6	-4.0	0.2

Performance figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv.

For periods over one year the figures in the table above have been annualised.

Market turmoil September 2022

As noted in this report, the Scheme's investment strategy includes the use of liability driven investment ('LDI') funds that seeks to provide a broad match to changes in the Scheme's liability values to help protect the Scheme's overall funding position. These LDI investments respond in a similar way to the Scheme's liabilities, when government bond yields and expected inflation change.

In September 2022, following a change in the UK government's fiscal policy, and lower than expected Bank of England ('BoE') interest rate increases, exacerbated by concerns over rising inflation, triggered significant increases and volatility in gilt yields. This led to a significant fall in the value of assets invested in the Scheme's LDI and an increase in collateral calls being made by the Scheme's LDI manager to support the LDI funds. It is worth noting that this was a systemic issue affecting many defined benefit pension schemes across the UK. In response to this market turmoil, the BoE set aside £65bn to buy back government bonds, in order to seek to mitigate gilt yield rises and ease pressure on pension funds and insurance companies.

The Scheme was able to maintain its liability hedge ratios in line the current agreed strategy over the year despite a very challenging and volatile market environment which has seen regular calls for cash collateral to support the LDI portfolio. However, consequent on the above and changes in bond values, as expected, the overall value of the Scheme's investment portfolio has significantly fallen in value. That said, the value of the Scheme's liabilities (as measured on the technical provisions basis) has also significantly fallen, in line with the risk management approach of using LDI, which has allowed the Scheme's estimated funding level to remain relatively stable.

Owing to changes in market values, the Scheme is now much smaller in asset value terms, however there are no concerns regarding its funding level, its ability to meet the payment of benefits to members, or its ability to continue as a going concern.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report (continued) DB Section (continued)

Market turmoil September 2022 (continued)

In overall terms, the Scheme's total DB net assets have fallen from £431m at 31 March 2022 to £334m at 31 March 2023, principally as a result of a change in market value of investments of negative £91m and commensurate with the negative investment performance in the year shown above.

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 DB Section's Scheme auditors are authorised to make whatever investigations they deem 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.

* The DB Section's fund holdings with Schroder 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.

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 2023, 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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report (continued) DC Section

Introduction

At the 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.

The investment options available to members as at 31 March 2023 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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report (continued) DC Section (continued)

The BGPS Equity Fund is a bespoke fund that previously consisted of 20% LGIM UK Equity Index fund and 80% LGIM World (ex UK) Developed Equity Index – GBP Hedged Fund. This allocation has since been changed to 100% LGIM World (ex UK) Developed Equity Index - GBP Hedged Fund.

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

The BGPS Pre-Drawdown Fund is a bespoke blended fund consisting of 60% LGIM Retirement Income Multi Asset Fund, 15% LGIM AAA-AA-A Corporate Bond All Stocks – Index Fund and 25% LGIM Sterling Liquidity 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 and outcomes of the Responsible Investment and Corporate Governance, Market Background, Custodial Arrangements, and Employer Related Investments with the principles outlined in the DB Section.

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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

TRUSTEE'S REPORT

Investment report (continued) DC Section (continued)

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 (excluding those held with Clerical Medical Investment Group Limited):

Fund	31 March 2023		31 March 2022	
	(£)	(%)	(£)	(%)
BGPS Equity Fund	31,378,241	43.4	33,754,174	44.8
BGPS Sterling Hedged World Equity Fund	410,763	0.6	130,967	0.2
BGPS Global (50:50) Equity Fund	1,486,614	2.1	1,501,937	2.0
BGPS World Equity Fund	1,597,172	2.2	1,639,198	2.2
BGPS UK Equity Fund	1,098,900	1.5	891,186	1.2
BGPS Emerging Markets Fund	350,975	0.5	349,298	0.5
BGPS Islamic Equity Fund	52,108	0.1	22,796	0.0
BGPS Diversified Growth Fund	22,261,039	30.8	23,697,645	31.4
BGPS Property Fund	221,526	0.3	220,033	0.3
BGPS Future World Fund	224,521	0.3	235,213	0.3
BGPS Corporate Bond Fund	453,749	0.6	525,215	0.7
BGPS Pre-Drawdown Fund	11,380,351	15.8	10,424,906	13.8
BGPS Index Linked Gilts Fund	50,224	0.1	86,370	0.1
BGPS Gilts Fund	21,058	0.0	13,890	0.0
BGPS Pre-Retirement Fund	758,204	1.0	1,138,671	1.5
BGPS Retirement Income Fund	85,409	0.1	71,961	0.1
BGPS Cash Fund	452,756	0.6	645,656	0.9
Total	72,283,610	100.0	75,349,116	100.0

Source: LGIM.

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.

Owing to changes in market values, the Scheme is now smaller in asset value terms. In overall terms, the Scheme's total DC net assets have fallen from £76m at 31 March 2022 to £73m at 31 March 2023, principally as a result of a change in market value of investments of negative £5m and commensurate with the negative investment performance in the year shown below.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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 held with LGIM over the year to 31 March 2023 and includes the DB/AVC funds held in LGIM.

	1 Year to 31 March 2023		3 Years (p.a.) to 31 March 2023	
	Fund (%)	Benchmark (%)	Fund (%)	Benchmark (%)
BGPS Equity Fund	-8.3	-8.1	14.5	14.5
BGPS Sterling Hedged World Equity Fund	-9.0	-8.8	15.3	15.5
BGPS Global (50:50) Equity Fund	1.2	1.3	14.6	14.7
BGPS World Equity Fund	-3.7	-3.5	15.8	16.0
BGPS UK Equity Fund	2.4	2.4	14.3	14.2
BGPS Emerging Markets Fund	-4.9	-4.5	8.8	9.1
BGPS Islamic Equity Fund	-5.9	-5.8	15.7	16.2
BGPS Diversified Growth Fund*	-6.3	2.3	4.9	0.8
BGPS Property Fund	-13.5	-14.5	2.9	2.6
BGPS Future World Fund	-2.3	-2.0	15.0	15.3
BGPS Corporate Bond Fund	-10.0	-9.8	-3.9	-3.7
BGPS Pre-Drawdown Fund	-3.1	2.7	2.6	2.3
BGPS Index Linked Gilts Fund	-25.8	-25.8	-8.7	-8.6
BGPS Gilts Fund	-16.4	-16.4	-9.4	-9.3
BGPS Pre-Retirement Fund	-19.8	-19.2	-8.5	-10.1
BGPS Retirement Income Fund	-3.6	5.8	5.0	4.4
BGPS Cash Fund	2.1	2.2	0.7	0.8

Source: LGIM. Net of investment management fees.

*A cash benchmark has been agreed as a performance measurement for this Fund

Over the year to 31 March 2023, developed equity markets returned 0.9% in Sterling terms, as measured by the FTSE World index. Meanwhile, emerging markets equities returned -3.9% in Sterling terms, as measured by the FTSE All World Emerging Markets index.

Gilts had significant negative returns over the year to 31 March 2023, with fixed interest gilts returning -29.7%, as measured by the FTSE Actuaries Over 15 Years Gilts index, and index linked gilts returning -30.4%, as measured by the FTSE Actuaries Over 5 Years Index Linked Gilts index. Over the same period, global bonds returned -2.4% in Sterling terms, as measured by the BoAML Global Broad Market index.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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 Trustee's report on pages 3 to 23 was approved by the Trustee and signed on its behalf:


Trustee. 

Name.....
Chris Parrott

13 October 2023
Date.....

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

ACTUARIAL CERTIFICATE

 Mercer

Certificate Of Schedule Of Contributions

Name of the Scheme **Baxi Group Pension Scheme**

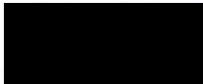
Adequacy of rates of contributions

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 2021 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 20 June 2022.

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 

Name **Matthew Jones**

Date of signing **27 June 2022**

Qualification **Fellow of the Institute and Faculty of Actuaries**

Name of employer **Mercer Limited**

Address **Four Brindleyplace
Birmingham
B1 2JQ
United Kingdom**

Mercer Limited is authorised and regulated by the Financial Conduct Authority
Registered in England No. 304275 Registered Office: 1 Tower Place West, Tower Place, London EC3N 8WJ A business of Marsh McLennan

**BAXI GROUP PENSION SCHEME
YEAR ENDED 31 MARCH 2023**

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 2023, 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 2023; 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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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.

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 by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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
Chartered Accountants and Statutory Auditors
London

Date: 13/10/23

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

All amounts in tables are in £ thousands unless otherwise stated

	Note	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Contributions and other income							
Employer contributions		16,583	4,416	20,999	15,564	4,085	19,649
Employee contributions		137	316	453	91	262	353
Total contributions	5	16,720	4,732	21,452	15,655	4,347	20,002
Transfers in	6	-	229	229	-	225	225
Other income	7	3	256	259	66	1	67
		16,723	5,217	21,940	15,721	4,573	20,294
Benefits and other outgoings							
Benefits paid or payable	8	(17,653)	(1,121)	(18,774)	(15,819)	(1,509)	(17,328)
Transfers out to other schemes	9	(2,882)	(2,385)	(5,267)	(6,275)	(3,040)	(9,315)
Administrative expenses	10	(1,376)	-	(1,376)	(1,457)	(6)	(1,463)
		(21,911)	(3,506)	(25,417)	(23,551)	(4,555)	(28,106)
Net (withdrawals)/additions from dealings with members		(5,188)	1,711	(3,477)	(7,830)	18	(7,812)
Net (losses)/returns on investments							
Investment Income	11	7	1	8	18	-	18
Change in market value of investments	12	(91,380)	(4,809)	(96,189)	5,492	5,385	10,877
Investment management expenses	13	(328)	-	(328)	(446)	-	(446)
		(91,701)	(4,808)	(96,509)	5,064	5,385	10,449
Net (decrease)/increase in the fund		(96,889)	(3,097)	(99,986)	(2,766)	5,403	2,637
Opening net assets available for benefits		431,177	75,870	507,047	433,465	70,945	504,410
Transfers between sections	14	11	(11)	-	478	(478)	-
Closing net assets available for benefits		334,299	72,762	407,061	431,177	75,870	507,047

The notes on pages 30 to 47 form part of these financial statements.

**BAXI GROUP PENSION SCHEME
YEAR ENDED 31 MARCH 2023**

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS AT 31 MARCH 2023**


All amounts in tables are in £ thousands unless otherwise stated

	Note	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Investment assets							
Pooled investment vehicles	15	329,276	72,321	401,597	425,955	75,389	501,344
AVC investments	16	2,085	-	2,085	2,666	-	2,666
Total net investments		331,361	72,321	403,682	428,621	75,389	504,010
Current assets and liabilities							
Current assets	22	3,576	554	4,130	3,372	526	3,898
Current liabilities	23	(638)	(113)	(751)	(816)	(45)	(861)
Net current assets		2,938	441	3,379	2,556	481	3,037
Net assets available for benefits		334,299	72,762	407,061	431,177	75,870	507,047

The financial statements summarise the transactions of the Scheme and deal with the net assets available for benefits 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 and 7 of the annual report, and these financial statements should be read in conjunction with this report.

The notes on pages 30 to 47 form part of these financial statements.

The Financial Statements on pages 28 to 47 were approved by the Trustee and signed on its behalf by;

Trustee ..  ..

Name..... Chris Parrott

Date..... 13 October 2023

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

The Scheme is an occupational pension scheme, 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 (the "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 Summary of significant 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 ("AVCs") 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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

4 Summary of significant accounting policies (continued)

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:

- Pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

4 Summary of significant accounting policies (continued)

Valuation and classification of investments (continued)

- 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.
- 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.

Critical accounting adjustments and estimates

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of net assets date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year are related to the valuation of the Scheme's investments. Explanation of the key assumptions underpinning the valuation of investments are included within the valuation and classification of investments note above and within note 18.

5 Contributions

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Employer contributions						
Normal	1,610	4,416	6,026	1,882	4,085	5,967
Deficit funding	13,773	-	13,773	12,752	-	12,752
Expenses	1,200	-	1,200	930	-	930
	16,583	4,416	20,999	15,564	4,085	19,649
Employee contributions						
Normal	12	9	21	14	8	22
Additional voluntary contributions	125	307	432	77	254	331
	137	316	453	91	262	353
Total contributions	16,720	4,732	21,452	15,655	4,347	20,002

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 Schedule of Contributions certified on 14 May 2020. The Schedule of Contributions agreed on 14 May 2020 confirmed deficit contributions were to be paid at £844,962 per month until 31 August 2024; plus £191,667 per month until 31 August 2024; plus £281,654 per month until 31 March 2021 (the first two amounts increasing in November each year by the increase in RPI). In addition to the amounts payable, 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. Contingent amounts were not payable in the years to 31 March 2022 and 31 March 2023. In addition, the employer pays monthly contributions towards Scheme expenses at a rate of £75,582 per month (increasing in November each year by the increase in RPI).

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

5 Contributions (continued)

A new Schedule of Contributions was certified by the Actuary on 27 June 2022, confirming the above two deficit contribution amounts payable until 31 August 2024 would be payable to 30 June 2022, and from 1 July 2022 deficit reducing contributions shall be payable at £1,091,819 per month (increasing in line with RPI) until 31 January 2025. The new Schedule of Contributions also confirmed that the Scheme expenses contribution of £79,606 per month (following the RPI increases) was payable to 30 June 2022, after which it would be payable at £100,000 per month from 1 July 2022.

The employers 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.

6 Transfers in

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Individual transfers from other schemes	-	229	229	-	225	225

7 Other income

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Other income	2	-	2	-	1	1
Recharges for transfer calculations	1	-	1	2	-	2
Claims on term insurance policy	-	256	256	64	-	64
	3	256	259	66	1	67

8 Benefits paid or payable

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Pensions	14,369	-	14,369	13,880	-	13,880
Commutation of pensions and lump sum retirement benefits	2,556	44	2,600	1,810	287	2,097
Taxation where lifetime or annual allowance exceeded	32	-	32	-	-	-
Lump sum death benefits	671	432	1,103	104	15	119
Purchase of annuities on retirement	-	64	64	-	385	385
Uncrystallised lump sum benefits	25	581	606	25	822	847
	17,653	1,121	18,774	15,819	1,509	17,328

9 Transfers out to other schemes

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Individual transfers to other schemes	2,882	2,385	5,267	6,275	3,040	9,315

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

10 Administrative expenses

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Administration and processing	432	-	432	567	-	567
Actuarial fees	629	-	629	630	-	630
Audit fees	47	-	47	40	-	40
Legal and professional fees	230	-	230	183	5	188
Trustee fees	36	-	36	35	-	35
Other	2	-	2	2	1	3
	1,376	-	1,376	1,457	6	1,463

11 Investment income

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Dividend distributions – CBRE	-	-	-	18	-	18
Interest on cash deposits	7	1	8	-	-	-
	7	1	8	18	-	18

12 Reconciliation of net investments

	Opening value at 1 April 2022	Purchases at cost	Sales proceeds	Change in market value	Closing value at 31 March 2023
Defined Benefit section					
Pooled investment vehicles	425,955	194,026	(199,455)	(91,250)	329,276
AVC investments	2,666	127	(578)	(130)	2,085
	428,621	194,153	(200,033)	(91,380)	331,361
Defined Contribution section					
Pooled investment vehicles	75,389	10,201*	(8,460)*	(4,809)	72,321

*Included within the DC purchases and sales above are switches between funds to the value of £5,210k and (£5,210k) respectively.

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.

The purchase and sales in the DB section are aligned to the Scheme's investment strategy. DC section pooled investment vehicles at 31 March 2023 include AVC's held with Clerical Medical of £38k (2022: £40k).

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

13 Investment management expenses

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Administration, management and custody	328	-	328	446	-	446

14 Transfers between sections

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Net transfer in year	11	(11)	-	478	(478)	-

The net transfers from the Defined Contribution to the Defined Benefit Section comprise 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. In addition, a one off payment was made in May 2022 from the DC bank account to the DB bank account for £2k of surplus funds which had built up over the year. Similarly, a one-off payment was made in July 2021 from the DC bank account to the DB bank account for £512k of surplus funds which had built up over the years, forming a significant part of the transfer between sections amount. This amount was in relation to proceeds of disinvestments on member deaths, where the Scheme retains the employer contributions on death in service, and therefore the Trustee agreed to use these funds, which were attributable to the Trustee, to benefit the DB section.

15 Pooled investment vehicles

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
By type						
Equities	16,790	36,375	53,165	24,046	38,158	62,204
Bonds	114,332	563	114,895	139,610	665	140,275
Diversified growth	77,575	34,709	112,284	89,843	35,569	125,412
Liability driven investment	116,188	-	116,188	164,414	-	164,414
Property	-	221	221	8	220	228
Cash	4,391	453	4,844	8,034	777	8,811
	329,276	72,321	401,597	425,955	75,389	501,344

At the 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 & General pooled investment vehicles. The DC bonds funds shown above include £38k (2022: £40k) of funds invested with Clerical Medical.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

16 Additional voluntary contribution (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 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:

	2023	2023	2023	2022	2022	2022
	DB	DC	Total	DB	DC	Total
Clerical Medical – Stafflink (With-profits)	6	-	6	6	-	6
Utmost Life and Pensions (With-profits)	40	-	40	42	-	42
Phoenix Life (With profits)	16	-	16	15	-	15
Scottish Friendly Assurance (With-profits)	145	-	145	65	-	65
Legal & General (Unit linked)	1,878	-	1,878	2,538	-	2,538
	2,085	-	2,085	2,666	-	2,666

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 investment 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:

	2023	2022
Allocated to members	72,321	75,389
Not allocated to members	-	-
	72,321	75,389

Defined contribution investment assets are not part of a common pool of assets available to meet defined benefit liabilities.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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.

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

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:

Fair value	Level 1	Level 2	Level 3	2023 Total
Defined Benefit section				
Investment assets				
Pooled investment vehicles	-	329,276	-	329,276
AVC investments	-	1,878	207	2,085
Defined Benefit section total	-	331,154	207	331,361
Defined Contribution section				
Investment assets				
Pooled investment vehicles	-	72,283	38	72,321
Defined Contribution section total	-	72,283	38	72,321
Total investments	-	403,437	245	403,682

Analysis for the prior year end is as follows:

Fair value	Level 1	Level 2	Level 3	2022 Total
Defined Benefit section				
Investment assets				
Pooled investment vehicles	-	425,947	8	425,955
AVC investments	-	2,538	128	2,666
Defined Benefit section total	-	428,485	136	428,621
Defined Contribution section				
Investment assets				
Pooled investment vehicles	-	75,349	40	75,389
Defined Contribution section total	-	75,349	40	75,389
Total investments	-	503,834	176	504,010

Investments reported under Level 3 are included at fair value based on values estimated by the underlying fund managers using accepted valuation methodologies and use of market information in the absence of observable market data.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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.

DB Section

The Trustee has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995. 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

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 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 AVC investments as these are not considered significant in relation to the overall investments of the DB Section.

(i) Investment Strategy

The long-term investment strategy as at 31 March 2023 is to hold (all through pooled investment vehicles):

- 75% 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.
- 25% in return seeking assets comprising UK equities, overseas equities, and diversified growth funds.

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

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks

DB Section (continued)

(i) Investment Strategy (continued)

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.

Risk Summary

Fund*	Exposed to					
	2023	2022	Currency Risk	Interest Rate Risk	Credit Risk	Other Price Risk
LGIM – UK Equity	3,429	4,568		✓	✓	✓
LGIM – Global Equity	6,537	9,958	✓		✓	✓
LGIM – Global Equity (hedged)	6,824	9,520	✓		✓	✓
BlackRock – DGF	27,953	28,950	✓	✓	✓	✓
Schroders – DGF	28,032	30,294	✓	✓	✓	✓
LGIM – DGF	21,590	30,599	✓	✓	✓	✓
CBRE – Property	-	8	✓			
LGIM – Corporate Bonds - LDI portfolio	114,332	139,610		✓	✓	✓
LGIM – LDI portfolio	116,188	164,414		✓	✓	✓
LGIM – Sterling Liquidity Fund	4,391	8,034		✓	✓	

*Based on information provided by the investment managers.

Credit risk

The DB Section is subject to indirect credit risk as it invests in fixed interest gilts, index-linked gilts and associated derivatives (which forms the pooled Liability Driven Investment (“LDI”) portfolio) and the pooled corporate bond fund (which, together with the pooled LDI portfolio, forms the Liability Hedging portfolio or matching portfolio). 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 2023, the pooled LDI portfolio (including cash) represented 36.7% (2022: 40.5%) of the total investment portfolio, and the pooled corporate bond fund, which is held within the Liability Hedging portfolio, represented 34.7% (2022: 32.8%) of the total investment portfolio.

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 SIP.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks (continued)

DB Section (continued)

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.

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:

	2023	2022
Unit Linked insurance contracts	301,323	396,997
Open ended investment companies	27,953	28,958
Total	329,276	425,955

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 2023, overseas equities represented 4.1% (2022: 4.6%) and DGFs 23.6% (2022: 21.1%) of the total investment portfolio.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks (continued)

DB Section (continued)

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 Investment ("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 Liability Hedging portfolio is comprised of the pooled LDI portfolio and the pooled corporate bond fund. The Trustee has set a benchmark for the combined LDI portfolio of 75.0% of the total investment portfolio, with an equal split of 37.5% allocation to both vehicles. As at 31 March 2023, the LDI portfolio was slightly underweight relative to its benchmark allocation, representing 71.3% of the total investment assets - the pooled LDI portfolio represented 36.7% (2022: 40.5%) of the total investment portfolio whereas the pooled corporate bond fund represented 34.7% (2022: 32.8%) of the total investment portfolio.

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 portfolio 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 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 25% of assets being held in return seeking investments.

As at 31 March 2023, the return seeking portfolio represented 28.7% (2022: 26.7%) of the total investment portfolio.

Other matters

During 2022/2023, geopolitical issues (such as Russia's war in Ukraine) and economic issues (such as increases in the rates of inflation and interest rates and movements in foreign currencies) have had a profound effect on domestic and global economies, with disruption and volatility in the financial markets. The Trustee, in conjunction with its advisers, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Scheme's investment portfolio, the operational impact on the Scheme and the covenant of the Employer.

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 and cannot be predicted. Since the year end, the value of the Scheme's investment assets and investment liabilities have been impacted. Whilst the Trustee monitors the overall position, it has not, at this time, quantified the change (being an increase or decrease) in market value of the investment assets and investment liabilities as markets remain fluid and unpredictable and therefore such an estimate cannot be made.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks (continued)

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 bespoke funds provided via the LGIM platform:

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

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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks (continued)

DC Section (continued)

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. The unitised with profits policy shown below relates to a legacy policy held with Clerical medical.

	2023	2022
Unit-linked insurance contracts	72,283	75,349
UK unitised with profits policy	38	40
Total	72,321	75,389

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 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

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks (continued)

DC Section (continued)

Market Risk

Fund	Exposed to					
	2023	2022	Currency Risk	Interest Rate Risk	Credit Risk	Other Price Risk
BGPS Equity Fund*	31,378	33,754	✓			✓
BGPS Sterling Hedged World Equity Fund	411	131	✓			✓
BGPS Global (50:50) Equity Fund	1,487	1,502	✓			✓
BGPS World Equity Fund	1,597	1,639	✓			✓
BGPS UK Equity Index	1,099	891				✓
BGPS Emerging Markets Fund	351	349	✓			✓
BGPS Islamic Equity Fund	52	23	✓			✓
BGPS Diversified Growth Fund	22,261	23,698	✓	✓	✓	✓
BGPS Property Fund	221	220		✓	✓	✓
BGPS Future World Fund	225	235	✓			✓
BGPS Corporate Bond Fund	454	525	✓	✓	✓	✓
BGPS Pre-Drawdown Fund**	11,380	10,425	✓	✓	✓	✓
BGPS Index Linked Gilts Fund	50	86		✓	✓	✓
BGPS Gilts Fund	21	14		✓	✓	✓
BGPS Pre-Retirement Fund	758	1,139	✓	✓	✓	✓
BGPS Retirement Income Fund	85	72	✓	✓	✓	✓
BGPS Cash Fund	453	646		✓	✓	✓

*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 LGIM funds and excludes funds held with Clerical Medical.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

19 Investment risks (continued)

DC Section (continued)

Other matters

During 2022/2023, geopolitical issues (such as Russia's war in Ukraine) and economic issues (such as increases in the rates of inflation and interest rates and movements in foreign currencies) have had a profound effect on domestic and global economies, with disruption and volatility in the financial markets. The Trustee, in conjunction with its advisers, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Scheme's investment portfolio and the operational impact on the Scheme.

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 and cannot be predicted. Since the year end, the value of the Scheme's investment assets have been impacted. Whilst the Trustee monitors the overall position, it has not, at this time, quantified the change (being an increase or decrease) in market value of the investment assets as markets remain fluid and unpredictable and therefore such an estimate cannot be made.

20 Concentration of investments

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

	2023	(%)	2022	(%)
DB Legal & General Fixed Interest Corporate Bonds Over 15 Years Fund	114,332	28.1	139,610	27.5
DC Legal & General Baxi Equity Fund	31,406	7.7	33,789	6.7
DB Schroder Life Diversified Growth Fund	28,032	6.9	30,294	6.0
DB BlackRock Dynamic Diversified Growth Fund	27,953	6.9	28,950	5.7
DC Legal & General Baxi Diversified Growth Fund	22,696	5.6	24,561	**
DB Legal & General Diversified fund	21,590	5.3	30,599	6.0
DB Legal & General 2035 Index Linked Gilt Fund	9,543	**	34,977	6.9

** Not disclosed as the value is below 5%.

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. DC Legal & General Baxi Equity Fund assets above include £27,633 (2022: £34,678) of DB AVC assets also invested in the fund. DC Legal & General Baxi Diversified Growth Fund assets above include £434,978 (2022: £863,406) of DB AVC assets also invested in the fund.

21 Employer-related investments

There were no direct or indirect employer-related investments at the year end (2022: nil).

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

22 Current assets

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Contribution debtors – employers	1,466	360	1,826	1,310	368	1,678
Contribution debtors – employees	1	1	2	1	1	2
Contribution debtors – AVCs	5	21	26	7	32	39
Prepaid pensions	829	-	829	3	-	3
Bank interest due	2	-	2	-	-	-
Life assurance claim debtor	-	-	-	64	-	64
Owed between sections	-	-	-	24	42	66
Cash in transit	-	8	8	-	-	-
Cash balances	1,273	164	1,437	1,963	83	2,046
	3,576	554	4,130	3,372	526	3,898

All contributions due to the Scheme at 31 March 2023 and 31 March 2022 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 £68,125 (2022: £2,431) which is not allocated to members. All other DC current assets are allocated to members. During the year, the Trustee arranged for a payment of £2,032 (2022: £512,000) of the DC cash holdings not allocated to members to be paid from the DC Section to the DB Section.

23 Current liabilities

	2023 DB	2023 DC	2023 Total	2022 DB	2022 DC	2022 Total
Unpaid benefit creditors	161	107	268	132	15	147
Amounts due to Baxi Group Limited	316	6	322	302	6	308
Investment management expenses	86	-	86	229	-	229
Tax due to HMRC	69	-	69	105	-	105
Owed between sections	-	-	-	42	24	66
Due to Newmond Pension Plan	6	-	6	6	-	6
	638	113	751	816	45	861

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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

24 Related party transactions

Transactions with related parties of the Scheme comprise:

Key management personnel

- There were 5 Trustee Directors (2022: 7) who were active members of the Scheme during the year. 1 Trustee Director (2022: 2) 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 Director – BESTrustees Limited was represented by Mark Taylor and Chris Parrott, who also received fees in respect of the related Newmond Pension Plan to the amount of £17,454 (2022: £16,399) in addition to those disclosed in note 10.
- At the year end, £9,425 (2022: £8,400) of the fees paid to the Trustee Directors disclosed in note 10 remain outstanding for payment, and these are included within the amounts owing to Baxi Group Limited in note 23. £4,602 (2022: £4,200) of the above fees in relation to the Newmond Pension Plan remain outstanding at the year end.
- An amount of £5,679 is due to the Newmond Pension Plan from the Scheme due to the AVC provider Utmost Life & Pension Limited making payments for two members of the Newmond Pension Plan to the Scheme bank account in error.

Except as noted above and elsewhere within the financial statements there are no further related party transactions to disclose.

25 Contingencies and commitments

GMP Equalisation

In 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 for both men and women. The Trustee is reviewing, with its advisers, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions (GMP) between men and women; in the context of the rules of the Scheme and the value of an estimate of the Scheme's potential liability arising from GMP equalisation in respect of backdated benefits and related interest. Once the effect on individual members' benefits has been calculated and the liability quantified, this will be communicated to the members. They will be accounted for in the year they are determined.

A supplemental ruling in November 2020 clarified the position in relation to historic transfers out. This ruling requires the rectification of any shortfall in these transfer values, calculated on the basis of unequalised GMPs. The Trustee is working with the Scheme administrator to finalise GMP and data rectification. 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 benefits 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 2023 (2022: Nil).

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 2023 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 14 May 2020 and 27 June 2022.

We have examined Baxi Group Pension Scheme's summary of contributions for the scheme year ended 31 March 2023 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
Chartered Accountants and Statutory Auditors
London

Date: 13/10/23

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

SUMMARY OF CONTRIBUTIONS

All amounts are in £ thousands.

During the year, the contributions required to be paid to the Scheme under the schedules of contributions dated 14 May 2020 and 27 June 2022 were as follows:

	Employers DB	Employees DB	Total DB	Employers DC	Employees DC	Total DC
Normal contributions	1,610	12	1,622	4,416	9	4,425
Deficit contributions	13,773	-	13,773	-	-	-
Expense contributions	1,200	-	1,200	-	-	-
Contributions required by the schedules of contributions, as reported on by the Scheme auditors	16,583	12	16,595	4,416	9	4,425
Other contributions						
Additional voluntary contributions	-	125	125	-	307	307
Total as per fund account	16,583	137	16,720	4,416	316	4,732

Approved by the Trustee and signed on its behalf by:

Trustee 

Name Chris Parrott

Date 13 October 2023

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

APPENDIX: ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

Baxi Group Pension Scheme ('the Scheme')

Annual Implementation Statement for the Year Ended 31 March 2023

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 running from 1 April 2022 to 31 March 2023. This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

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 Scheme Year, 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 Scheme Year.**



A copy of the SIP is available at <https://taxipensions.co.uk/downloads>

Sections 3 and 4 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.



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.



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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

APPENDIX: ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

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 Scheme Year, there were no changes to the SIP (dated November 2021).

2.3 Assessment of how the policies in the SIP have been followed for the year to 31 March 2023

The information provided in this section highlights the work undertaken by the Trustee during the Scheme Year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP (dated November 2021 for the year to 31 March 2022), relating to the DB Section and DC Section of the Scheme.



In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme year to 31 March 2023.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

APPENDIX: ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2023



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.



How has this policy been met over the year to 31 March 2023?

The Trustee made no changes to its appointed investment managers over the year to 31 March 2023. However, the Trustee received advice as part of an annual review on the construction of the Liability Hedging Portfolio. The Scheme's Enhanced Service Agreement was updated following this review and implemented in July 2022.



How has this policy been met over the year to 31 March 2023?

No changes were made during the Scheme year so no further advice was required.

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.



How has this policy been met over the year to 31 March 2023?

Over the year, the Scheme held a diversified portfolio consisting mostly of readily-realizable assets. This included maintaining sufficient liquid assets to meet both short-term and longer-term cashflow requirements. The diversified growth funds (DGFs) 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 was reviewed in February 2023 as part of the annual review and a quarterly cashflow policy is agreed by the Trustee to ensure sufficient liquidity is available to meet cashflow requirements of the Scheme. Several disinvestments were made from the DGFs over the year to 31 March 2023 to cover cashflow requirements. Income is currently being drawn from the Scheme's equities, LGIM DGF and corporate bonds.



How has this policy been met over the year to 31 March 2023?

Members' investments within the DC Section are traded and priced on a daily basis. No issues have been reported by the Scheme's administrators during the year.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

APPENDIX: ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

Strategic Asset Allocation

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

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 2023?

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 monitors the Scheme's funding position on a quarterly basis.

In addition, the Trustee assess the funding position of the Scheme as at 31 March each year 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 Trustee's policy on rebalancing is reviewed on a quarterly basis as part of the cashflow advice. If the growth - matching split is +/- 5% deviated from the benchmark then the portfolio will undergo a rebalancing to ensure the strategy is invested in-line with the agreed risk/return objectives.

The SIP currently reflects the Trustee's objective of the Scheme's LDI Portfolio to maintain the level of hedging in inflation and interest rate exposure at 90%.

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 meet 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 2023?

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 lifestyle 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 Investment Sub-Committee and the Trustee at the quarterly 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. The Trustee has noted that 2022 was a particularly challenging year for investment returns. As such, the Trustee is comfortable that the structure remains appropriate for the Scheme's membership.

The next formal investment strategy review is due to be undertaken in Q3 2024.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

APPENDIX: ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

Strategic Asset Allocation

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

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 2023?

The Trustee received updates from its Investment Consultant on developments concerning the Scheme's DB investment managers. There was increased monitoring of the LDI portfolio as a result of market volatility in late 2022. The increases in government bond yields over the course of 2022 resulted in a number of collateral calls in respect of leveraged liability driven investments. The target levels of liability hedging of the Scheme's LDI portfolio was maintained and the Scheme had sufficient liquid assets to meet collateral calls at short notice.

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 2023?

The Trustee received updates from the investment Consultant on developments concerning LGIM. In particular, LGIM's Pre-Retirement Fund was renamed as the Future World Annuity Aware Fund and the fund takes ESG factors into greater account.

None of these updates resulted in any recommended changes to the DC arrangements.



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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

APPENDIX: ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2023



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 2023?



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. In order to monitor the extent to which ESG factors are integrated into the managers' investment decision making, the Trustee has continued to review the Mercer ESG ratings assigned to the strategies in which the Scheme invests as part of regular quarterly performance reporting. Mercer's ESG ratings also continued to be monitored as part of the annual Value for Member Assessment in respect of the DC Section.

In addition, the Trustee has asked the managers to comment on these areas when they have presented at meetings. The Trustee met with Schroders in March 2022 and discussed several key topics which included: how ESG factors and climate change targets are considered as part of the investment process and the Trustee challenged the manager on the appropriateness of the performance target of the fund. Following the meeting, Schroders are including climate metrics in their quarterly reports and the Trustee will be monitoring these metrics in the quarterly investment report it receives from the Investment Consultant.

Where managers may not be highly rated from an ESG perspective the Trustee continues to monitor and engage with the managers. When implementing a new manager the Trustee considers the ESG rating of the manager and balances this against the prospects of the fund achieving its objective.

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.

In the first quarter of 2023, the Trustee undertook an "ESG Beliefs Survey" which focused on their attitude towards responsible investment and stewardship, and aimed to establish a set of defined beliefs and key priorities. The outcome from this survey is assisting the Trustee with determining future investment considerations and actions, as well as determining climate change and diversity, equity & inclusivity as key Trustee priorities.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

APPENDIX: ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2023



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 2023?



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.

In the first quarter of 2023, the Trustee undertook an ESG Beliefs Survey to establish their key priorities in terms of responsible investment and stewardship which has formed the basis of the Trustee's definition of what constitutes a 'significant vote'. The Trustee considers most significant votes to be those that align with one of the following key priorities and with issuers of holdings in a fund that make up at least 1% of a fund's value:

- Climate change: A vote relating to climate change, or a broader environmental impact e.g. company becoming Paris aligned or company net-zero targets.
- Diversity, Equity & Inclusion: A vote pertaining to diversity e.g. female board representation, equity, and the policies in place to ensure there is an inclusive and diverse workforce.

All of the Scheme's investment managers within the DB and DC Sections are currently signatories of the current UK Stewardship Code.

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

Section 4 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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

APPENDIX: ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2023



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.



How has this policy been met over the year to 31 March 2023?

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.



How has this policy been met over the year to 31 March 2023?

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

The Trustee continues to view the incentivisation through asset management charges to be at an appropriate level for the relevant mandates.

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.



How has this policy been met over the year to 31 March 2023?

Over the year to 31 March 2023, 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.



How has this policy been met over the year to 31 March 2023?

Over the year to 31 March 2023, 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.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

APPENDIX: ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2023



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.



How has this policy been met over the year to 31 March 2023?

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).



How has this policy been met over the year to 31 March 2023?

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.



How has this policy been met over the year to 31 March 2023?

Details of the change to the strategic asset allocation are set out in the section on 'Strategic Asset Allocation' (page 4).

No change in the investment managers was made during the year for the DB section.



How has this policy been met over the year to 31 March 2023?

All the funds are open-ended. The DC Section's funds have no set end date for the arrangement, however, duration is considered as part of the regular reviews and as part of the ongoing monitoring.

No changes in the investment manager arrangements or fund allocation were made during the year for the DC section.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

APPENDIX: ANNUAL IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

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



BlackRock's engagement with Sainsbury on employee wages

J Sainsbury plc employs over 170,000 people. In July 2022 at AGM the company received a shareholder proposal that, if approved, would legally bind Sainsbury's to peg their worker pay levels to those set by the Living Wage Foundation.

BlackRock sought to understand, from their disclosures, Sainsbury's existing policies and employee benefits plans. Sainsbury's disclosures set out that they paid higher hourly UK-wide and London rates than competitors in the UK supermarket sector, in addition to paying direct employees above the government-mandated UK National Minimum Wage for many years. At the time of the AGM, Sainsbury's was paying at or above the prevailing "real Living Wage". Sainsbury's engaged with the shareholders who submitted the proposal. As a result, the company disclosed that they had addressed the legacy difference in hourly rates between employees in inner and outer London.

BlackRock did not support the shareholder proposal, as it was overly prescriptive and unduly constraining on management, and felt that it is not the role of shareholders to direct company management to cede control of a key decision (i.e., the employee payroll), which is core to the company's ability to deliver their strategy and balance the interests of all stakeholders, to a third-party.

BlackRock have continued to engage with Sainsbury's on this issue, given the importance of frontline workers to the company's success.



LGIM engages with Experian on its ESG strategy

Global credit bureau Experian has an important role to play as a responsible business for the delivery of greater social and financial inclusion.

LGIM have engaged with the company on several occasions in 2022 and 2023 and are pleased to see continuous improvements made to its ESG strategy, encompassing new targets, greater reporting disclosure around societal and community investment, and an increasing allocation of capital aligned to transforming financial livelihoods. The latter includes the roll-out of Experian Boost, where positive data allows the consumer to improve their credit score, and Experian Go, which is hoped to enable access for more people. The company also launched the United for Financial Health project as part of its social innovation fund to help educate and drive action for those most vulnerable.



Schroders challenges Norsk Hydro on environmental contamination

In 2022, Schroders investment team conducted an engagement call with Norsk Hydro during the first quarter in response to an article which rehashed some allegations of environmental contamination within Alunorte during 2018.

Schroder's learnt from Norsk that there were no new developments on this topic, and that all of the issues highlighted in the article have either been addressed as part of the company's initial response, as part of an ongoing lawsuit in the Dutch courts or are inaccurate and/or overblown.

Schroders have been comfortable with Norsk's efforts (both in 2022 and more recently) and remain assured that action taken has been substantial and thorough enough for this to be treated as a one off incident. This is, however a stark reminder of the ongoing risk of its significance in the local communities in Barcarena and the potential likelihood of it being revived following a different political climate within Brazil.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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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 2022 to 31 March 2023.
Source: Investment managers, data may not sum due to rounding.

BAXI GROUP PENSION SCHEME YEAR ENDED 31 MARCH 2023

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Most significant votes



A 'Significant Vote' is defined as one that is related to the Scheme's beliefs and stewardship priorities, which refers to voting in relation to Climate Change and Diversity, Equity & Inclusivity. The Trustee considers a vote to be most significant if the company holding represents the top 4 of the relevant fund assets (where data is available) at the time of voting. The table below shows available voting information of companies in relation to the Trustee's key priority areas.

Resolution not passed Resolution passed

Manager	Fund	Company	Date of vote	% of Fund as at date of vote	Trustee Priority	Summary of vote and how the Manager voted	Rationale of Manager vote	Final outcome following the vote
LGMF	UK Equity	Royal Dutch Shell Plc	24 May 2022	6.7%	Climate Change	LGMF voted against the resolution to approve the Shell Energy Transition Progress Update	LGMF remained concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	
		BP Plc	12 May 2022	1.0%	Climate Change	LGMF voted for the resolution to approve Net Zero target	LGMF expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. However, LGMF remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.	
		Rio Tinto Plc	8 April 2022	2.3%	Climate Change	LGMF voted against the resolution to approve the climate action plan	LGMF remained concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.	
		Glencore Plc	28 April 2022	2.7%	Climate Change	LGMF voted against the resolution to approve the climate progress report	LGMF expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. LGMF remained concerned over the companies activities around thermal coal and lobbying, which they deem inconsistent with the required ambition to stay within the 1.5°C trajectory.	

Source: Investment managers. "n/a" indicates outcome not available.

LGMF used a third party corporate governance data provider, Institutional Shareholder Services ("ISS"), to receive meetings notifications, provide company research and present its votes.

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Manager	Fund	Company	Date of vote	% of Fund as at date of vote	Trustee Priority	Summary of vote and how the Manager voted	Rationale of Manager vote	Final outcome following the vote
LGMF	World Equity (ex-UK)	Alphabet Inc	1 June 2022	1.2%	Climate Change	LGMF voted for the resolution to report on physical risks of climate change	LGMF believed a vote in favour of this shareholder proposal was warranted as LGMF expects companies to be taking sufficient action on the key issue of climate change.	⊗
		NVIDIA Corporation	2 June 2022	0.8%	Diversity, Equity & Inclusivity	LGMF voted against the resolution to elect Director Harvey C. Jones	A vote against is applied as LGMF expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue.	⊙
		Exxon Mobil Corporation	25 May 2022	0.6%	Climate Change	LGMF voted for the resolution to set GHG emissions reduction targets consistent with Paris Agreement Goal	A vote FOR is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGMF expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal.	⊗
		Costco Wholesale Corporation	25 January 2023	0.4%	Diversity, Equity & Inclusivity	LGMF voted against the resolution to elect Director Jeffrey S. Raikes	A vote against is applied as LGMF expects a company to have at least one-third women on the board.	n/a
		Prologis, Inc.	4 May 2022	0.4%	Diversity, Equity & Inclusivity	LGMF voted against the resolution to elect Director Hamid R. Moghadam	A vote against is applied as LGMF expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	⊙
LGMF	Diversified Fund	NextEra Energy, Inc.	19 May 2022	0.3%	Diversity, Equity & Inclusivity	LGMF voted against the resolution to elect Director Rully E. Schupp	A vote against is applied as LGMF expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGMF are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue.	⊙
		Royal Dutch Shell Plc	24 May 2022	0.3%	Climate Change	LGMF voted against the resolution to approve the Shell Energy Transition Progress Update	LGMF remained concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	⊙
		American Tower Corporation	18 May 2022	0.3%	Diversity, Equity & Inclusivity	LGMF voted against the resolution to elect Director Robert D. Hornbush	A vote against is applied as the company has an all-male Executive Committee	⊙

Source: Investment managers. "n/a" indicates outcome not available.
LGMF used a third party corporate governance data provider, Institutional Shareholder Services ("ISS"), to receive meetings notifications, provide company research and process its votes.

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Manager	Fund	Company	Date of vote	% of Fund as at date of vote	Trustee Priority	Summary of vote and how the Manager voted	Rationale of Manager vote	Final outcome following the vote
BlackRock	Dynamic Diversified Growth	Tesla Inc	4 August 2022	0.58%*	Diversity, Equity & Inclusivity	The Manager voted against a Report on Racial and Gender Board Diversity	The company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies.	n/a
		Microsoft Corporation	13 December 2022	0.58%*	Climate change	The Manager voted for a Report on Corporate Climate Lobbying in line with Paris Agreement	The Company does not meet BlackRock's expectations for disclosure of lobbying and/or political activities.	n/a
		Amazon.com, Inc.	31 March 2022	0.20%*	Diversity, Equity & Inclusivity	The Manager voted against a Report on Gender/Racial Pay Gap	Company already has policies in place to address these issues.	⊗
		Alphabet	01 June 2022	0.21%	Diversity, Equity & Inclusivity	The Manager voted for the report on Steps to Improve Racial and Gender Board Diversity	Schroders voted for the proposal as the company does not comprise 33% women and the board does not address global diversity as requested in the proposal. Given the nature of the company's business we believe that the board needs to address its global stakeholders in its response to the proposal	⊗
Schroders	Diversified Growth	Alphabet	01 June 2022	0.21%	Climate Change	The Manager voted for a report on Climate Lobbying	The company is asked to produce a report on climate lobbying. Shareholders are likely to benefit from a review of how the company and its trade associations' lobbying positions align with Paris Agreement.	⊗
		Apple	10 March 2023	0.18%	Climate Change	The Manager voted for a report on Physical Risks of Climate Change	Schroders believe their vote for this item will maximise the value to their clients. The company is asked to report on the physical risks of climate change. Schroders feel that shareholders would benefit from increased disclosure regarding how the company is assessing and managing its climate change risks.	⊗
		Apple	10 March 2023	0.18%	Diversity, Equity & Inclusivity	The Manager voted for a report on Median Gender/Racial Pay Gap	Shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives.	⊗

Source: Investment managers. "n/a" indicates outcome not available.

* Data as at 31 March 2023, based on information provided by BlackRock.

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.

Schroders evaluate voting issues arising at its investee companies and, where they have the authority to do so, vote on them in line with its fiduciary responsibilities in what they deem to be the interests of its clients. Schroders utilize company engagement, internal research, investor views and governance expertise to confirm its intention.

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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



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."

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Most significant votes

A 'Significant Vote' is defined as one that is related to the Scheme's beliefs and stewardship priorities, which refers to voting in relation to Climate Change and Diversity, Equity & Inclusivity. The Trustee considers a vote to most significant if the company holding represents the top 4 of the relevant fund assets, which are used in the default strategy (where data is available) at the time of voting. The table below shows available voting information of companies in relation to the Trustee's key priority areas.

Fund	Company	Date of vote	% of Fund as at Date of vote	Trustee Priority	Summary of vote and how the Manager voted	 Resolution not passed  Resolution passed	Rationale of Manager vote	Final outcome following vote
BGPS UK Equity Fund	The votes relating to this fund which meets the Trustee's definition of 'most significant votes' can be found in the DB Section. The							
BGPS World (Ex-UK) Equity Fund	The votes relating to this fund which meets the Trustee's definition of 'most significant votes' can be found in the DB Section							
BGPS Diversified Growth Fund*	The votes relating to the LGM Diversified Fund which is a 52% allocation of the BGPS Diversified Growth Fund and meets the Trustee's definition of 'most significant votes' can be found in the DB Section.							
LGM Retirement Income Multi-Asset Fund	Enbridge, Inc.	4 May 2022	0.26%	Diversity, Equity & Inclusivity	LGM voted against the resolution to elect Director Hamid R. Moghadam		A vote against is applied as LGM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	
	Royal Dutch Shell Plc	24 May 2022	0.25%	Climate Change	LGM voted against the resolution to approve the Shell Energy Transition Progress Update		LGM remained concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	
	Ro Tinto Plc	8 April 2022	0.14%	Climate Change	LGM voted against the resolution to approve the climate action plan		LGM remained concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.	
	American Tower Corporation	18 May 2022	0.14%	Diversity, Equity & Inclusivity	LGM voted against the resolution to elect Director Robert D. Hornatz		A vote against is applied as the company has an all-male Executive Committee	

Source: Investment managers. "n/a" indicates outcome not available

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

*The BGPS Diversified Growth Fund has a 50% allocation to the Insight Global Opportunities Fund. The strategy invests in listed closed-end investment companies with a focus on cash-generative investments in social infrastructure, renewable energy and asset-backed aviation finance. The corporate structure of closed-end investment companies held in the strategy includes an independent board which is responsible for providing an overall oversight function on behalf of all shareholders. This governance framework includes a range of aspects including setting out investment objectives, and on an ongoing basis ensuring that the underlying strategy and portfolio activities within it remain within the agreed framework. This governance framework, that is with an independent board acting on behalf of shareholders, generally limits contentious issues that can arise with other listed entities. As a result, significant votes cast that may be comparable to other listed entities are not applicable to the strategy's exposures.

Baxi Group Pension Scheme

Annual Statement by the Chair of the Trustee Board for the year to 31 March 2023

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. This Statement covers the Defined Contribution ("DC") Section as well as the Additional Voluntary Contributions ("AVCs") paid by members of the Defined Benefit ("DB") Section.

Throughout this document, we refer to the "Scheme year" as the 12 months ending 31 March 2023.

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 the investment options have 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

The Statement of Investment Principles ("SIP"), which sets out the Trustee's policies on how your contributions should be invested, was last reviewed in November 2021. You can find a copy of the SIP online at www.baxipensions.co.uk. The 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 2023 the Scheme had 2,772 members and a total asset size of £72.8 million.

2 Investment options

No full review of the investment options was due to be carried out in the Scheme year, and no changes were made to the investment options.

The Trustee continues to receive reports from its advisers as well as presentations from its appointed managers at each quarterly meeting to ensure that the Scheme's investment strategy continues to be appropriate for the membership profile of the Scheme.

3 Investment performance

Investment markets were turbulent over the Scheme year, due to high inflation, the war in Ukraine as well as the mini budget announced in October 2022. As a result, the performance of the Scheme investments was impacted, as were many other pension schemes.

Over the year to 31 March 2023, the funds used in the Scheme's default arrangement saw investment returns fall in value between 3.06% and 8.29% (or, put another way, a fall between £31 and £83 for every £1,000 invested).

The investment returns produced by the funds in the default arrangement were not all in line with their objectives, largely due to the adverse market conditions. The Trustee notes that performance has improved in the first quarter of 2023 and will continue to closely monitor investment performance over the next Scheme year, at least at each of the Trustee's quarterly meetings.

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 0.135% to 0.501% of the amount invested (or, put another way, in a range of £1.35 to £5.01 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% (£7.50 for every £1,000 invested).

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 (who contributes a total of 12% into their pension) in today's money by around £7,906 leaving a pot size of around £156,098 at age 65. We use other assumptions to get to this figure, and you can find more information about the impact of costs and charges as well as the assumptions we are using 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. Value is not only about cost, and while assessing value we focus on the services that members have access to and on their quality of provision.

We measure value on a scale from 'poor' to 'excellent' and in determining the rating we look at certain criteria and whether they have been met during the Scheme year, as well as whether any improvements are required. We found that the Scheme provided 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 continue work on the communications strategy review.

6 Administration

We check that the administration of the Scheme is operating 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.
- For the majority of the year, the wider administration of the Scheme was completed within the service standards we agreed with Buck. 97.7%, 99.8%, 98.8% and 98.5% of all cases were completed within the service standards for quarters 2, 3 and 4 of 2022 and quarter 1 of 2023, respectively.
- There were 4 complaints (less than 1% of membership) but these were promptly resolved by Buck.

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 Environmental, Social and Governance considerations and the General Code of Practice. The Trustee also held a Training Day to cover a variety of training topics. Please see Section 7 for more details on the above.

Overall, the Trustee Directors believe that they 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 which will be carried out in the next Scheme year.

8 Completed and future actions

During the last year we:

- Regularly assessed fund fees, suitability and performance through input from the Scheme's DC investment adviser;
- Held a Trustee Training Day and covered a variety of topics which the Trustee Directors previously indicated they required training on;
- Improved Value for Members by:
 - *Working closely with our advisers to produce engaging communications issued to members to help aid education on their benefits; and*
 - *Continuing to work on the communications strategy review to ensure consistency between Trustee and Company communications.*
- Reviewed the DC Annual Business Plan and the DC Objectives;
- Reviewed the performance of the investment consultants against set objectives;
- Reviewed how well the Scheme complied with the DC Code of Practice;
- Arranged for the publication of this Statement, together with the SIP in a publicly searchable location on the internet with a note of this location in the annual benefit statements; and
- Considered whether value for money for members would be improved by transferring the assets to a Master Trust and concluded that the Scheme provided good value and so it was currently not appropriate to transfer to a Master Trust.

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

- Continue reviewing the Scheme communications;
- Rectify the inadvertent default arrangements (the BGPS Annuity Lifestyle and the BGPS Cash Lifestyle);

- Undertake an assessment of how well the Scheme complies against the General Code of Practice, once this is released by TPR;
- Undertake reviews of the effectiveness of the Trustee Board and its advisers and providers; and
- Complete our yearly implementation statement describing how we have followed the policies in the Scheme's SIP.

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. If obtained, the missing information will be included in next year's Chair's Statement.

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 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 all 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 2022 to 31 March 2023.

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.



Date: 12 October 2023

Chris Parrott, BESTrustees Limited

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

1 How we manage your Scheme

At 31 March 2023, the Trustee Directors of the Scheme were:

- BESTrustees Limited, represented by
Chris Parrott
- Diane Sutherland
- Katie Wright
- Claire Carlin
- Steve Randall
- Simon Oliver
- John McFaul

Phillip Lowton sadly passed away in October 2022. Mark Taylor stepped down as BESTrustees Limited representative in December 2022 and Chris Parrott was appointed on 19 December 2022 to take over Mark's role as Chair of the Trustee.

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. Amendments were made to the Trust Deed and Rules that apply to the DB Section of the Scheme in relation to incapacity pensions and early and late retirement, as stated in the Deed of Amendment, over the reporting period. These amendments do not affect the DC Section of the Scheme.

The SIP sets out the Trustee's investment policies which the Trustee, with the help of its advisers, reviews at least every three years. The last review was carried out in November 2021. This updated SIP incorporated 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 2023, the number of members grew from 2,570 to 2,772 while the total value of members' pension pots fell from £75.9 million to £72.8 million. This reduction was caused by the adverse market conditions over the reporting period, which saw equities and bonds falling in value across investment markets.

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 SIP 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 SIP covers all the Scheme's investments – the principles guiding the design of the default arrangement are set out on pages 8 to 12.

A full review of the performance and suitability of the default arrangement was completed on 15 September 2021 with the help of the Trustee's investment adviser. No full review of the performance and suitability of the default arrangement was due to be undertaken during this Scheme year.

The Trustee assesses the retirement options usage by members annually. The last assessment was carried out in November 2022, and this showed that most members over 55 had transferred out their pots to other arrangements, possibly to utilise drawdown. Not many members purchased an annuity.

It is intended that the next full review will take place by 15 September 2024, or immediately following any significant change in investment policy or the Scheme's member profile.

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

- Its investment performance has been consistent with its investment aims and objectives which are outlined in the SIP.

- 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. This included several factors such as: 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 demographic profile of the membership had not changed materially.
- Its design continues to meet its principal investment objectives. The Trustee selected a lifestyle strategy providing flexibility at retirement (which has a similar structure to an income drawdown target). It believes this is appropriate for the majority of members who are either unable to decide how to take their retirement benefits or might take their benefits in a combination of ways and at different points in time.
- 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 considered the demographics of the Scheme membership and the Trustee's views on how the membership might behave at retirement.

Other default arrangements

The BGPS Annuity Lifestyle and the BGPS Cash Lifestyle are also deemed default arrangements and are subject to the same governance requirements as the Scheme's primary default arrangement (the BGPS Drawdown Lifestyle). They are both reported as 'inadvertent' defaults for the purpose of this Statement (for reasons stated in previous Chair's Statements). This is due to the transition from Columbia Threadneedle to Legal & General in December 2018, when members were automatically moved from the old Annuity and Cash Lifestyles to the BGPS Annuity and Cash Lifestyles, respectively. The Trustee is looking to rectify the inadvertent defaults over the next Scheme year.

Other investment options – self-select funds

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.
- 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 15 September 2021, as part of the

review of the default arrangement. No full review of the performance and suitability of the other investment options was due to be undertaken during this Scheme year. It is intended that the next full review will take place by 15 September 2024, or immediately following any significant change in investment policy or the Scheme's member profile.

The Trustee receives quarterly investment monitoring reports from its DC investment adviser. These reports include performance both against their benchmarks and the strategic targets set for each phase of the default as well as the other investment options, which is updated with performance data every quarter. The Trustee's quarterly reviews that took place during the Scheme year concluded that the default arrangement and the other investment options were performing broadly as expected and were consistent with the aims and objectives of the default and the other investment options as stated in the SIP.

Other investment options – legacy AVCs (relating to members in the Scheme's DB Section)

The Scheme also held legacy AVCs during the period covered by this Statement, invested in With Profits Funds with Clerical Medical, Phoenix Life, Clerical Medical (but held with Utmost Life) and Scottish Friendly. Unit linked funds are held with Legal & General.

3 Investment Performance

Introduction

The presentation of the investment performance takes into account the statutory guidance issued by the Department for Work and Pensions.

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all default arrangements as well as investment options that members are able to select and in which members were invested during the Scheme year. The net returns are shown as an annual geometric compound percentage, as set out in the statutory guidance.

The annual geometric compound percentage calculation is a way to determine the average return on your investment, accumulated over multiple periods. When measured over multiple years, the annual geometric compound percentage is meant to serve as an indication of what your investment returns were, on average, each year.

Investment conditions

The investment returns produced by the funds in the default arrangement were not all in line with their objectives, largely due to the adverse market conditions. The Trustee notes that performance has improved in the first quarter of 2023 and will continue to closely monitor investment performance over the next Scheme year.

Default arrangement

The investment performance of the funds used in the BGPS Drawdown Lifestyle net of costs and charges expressed as a percentage were:

Fund	1 year 1 April 2022 – 31 March 2023 (%)	1 year 1 April 2022 – 31 March 2023 (per £1,000)	3 years 1 April 2020 – 31 March 2023 (% p.a.)	3 years 1 April 2020 – 31 March 2023 (per £1,000)	Since inception 3 December 2018 – 31 March 2023 (% p.a.)	Since inception 3 December 2018 – 31 March 2023 (per £1,000)
BGPS Equity Fund	-8.29	-£82.92	14.45	£144.53	7.44	£74.43
BGPS Diversified Growth Fund	-6.28	-£62.77	4.93	£49.28	2.68	£26.77
BGPS Pre Drawdown Fund	-3.06	-£30.59	2.61	£26.13	2.17	£21.73

Source: Legal & General

For the BGPS Drawdown Lifestyle the investment return varies depending on your age and how far you are from your selected retirement age.

Age of member in 2023 (years)	1 year 1 April 2022 – 31 March 2023 (%)	1 year 1 April 2022 – 31 March 2023 (per £1,000)	3 years 1 April 2020 – 31 March 2023 (% p.a.)	3 years 1 April 2020 – 31 March 2023 (per £1,000)	Since inception 3 December 2018 – 31 March 2023 (% p.a.)	Since inception 3 December 2018 – 31 March 2023 (per £1,000)
25	-8.29	-£82.92	14.45	£144.53	7.44	£74.43

45	-8.29	-£82.92	14.45	£144.53	7.44	£74.43
55	-6.28	-£62.77	4.93	£49.28	2.68	£26.77

Source: Legal & General

Other default arrangements

BGPS Annuity Lifestyle

The investment performance of the funds used in the BGPS Annuity Lifestyle net of costs and charges expressed as a percentage were:

Fund	1 year 1 April 2022 – 31 March 2023 (%)	1 year 1 April 2022 – 31 March 2023 (per £1,000)	3 years 1 April 2020 – 31 March 2023 (% p.a.)	3 years 1 April 2020 – 31 March 2023 (per £1,000)	Since inception 3 December 2018 – 31 March 2023 (% p.a.)	Since inception 3 December 2018 – 31 March 2023 (per £1,000)
BGPS Equity Fund	-8.29	-£82.92	14.45	£144.53	7.44	£74.43
BGPS Diversified Growth Fund	-6.28	-£62.77	4.93	£49.28	2.68	£26.77
BGPS Pre Retirement Fund	-3.06	-£30.59	2.61	£26.13	2.17	£21.73
BGPS Cash Fund	2.12	£21.24	0.72	£7.22	0.71	£7.10

Source: Legal & General

For the BGPS Annuity Lifestyle the investment return varies depending on your age and how far you are from your selected retirement age.

Age of member in 2023 (years)	1 year 1 April 2022 – 31 March 2023 (%)	1 year 1 April 2022 – 31 March 2023 (per £1,000)	3 years 1 April 2020 – 31 March 2023 (% p.a.)	3 years 1 April 2020 – 31 March 2023 (per £1,000)	Since inception 3 December 2018 – 31 March 2023 (% p.a.)	Since inception 3 December 2018 – 31 March 2023 (per £1,000)
25	-8.29	-£82.92	14.45	£144.53	7.44	£74.43
45	-8.29	-£82.92	14.45	£144.53	7.44	£74.43
55	-6.28	-£62.77	4.93	£49.28	2.68	£26.77

Source: Legal & General

BGPS Cash Lifestyle

The investment performance of the funds used in the BGPS Cash Lifestyle net of costs and charges expressed as a percentage were:

Fund	1 year 1 April 2022 – 31 March 2023 (%)	1 year 1 April 2022 – 31 March 2023 (per £1,000)	3 years 1 April 2020 – 31 March 2023 (% p.a.)	3 years 1 April 2020 – 31 March 2023 (per £1,000)	Since inception 3 December 2018 – 31 March 2023 (% p.a.)	Since inception 3 December 2018 – 31 March 2023 (per £1,000)
BGPS Equity Fund	-8.29	-£82.92	14.45	£144.53	7.44	£74.43
BGPS Diversified Growth Fund	-6.28	-£62.77	4.93	£49.28	2.68	£26.77
BGPS Cash Fund	2.12	£21.24	0.72	£7.22	0.71	£7.10

Source: Legal & General

For the BGPS Cash Lifestyle the investment return varies depending on your age and how far you are from your selected retirement age.

Age of member in 2023 (years)	1 year 1 April 2022 – 31 March 2023 (%)	1 year 1 April 2022 – 31 March 2023 (per £1,000)	3 years 1 April 2020 – 31 March 2023 (% p.a.)	3 years 1 April 2020 – 31 March 2023 (per £1,000)	Since inception 3 December 2018 – 31 March 2023 (% p.a.)	Since inception 3 December 2018 – 31 March 2023 (per £1,000)
25	-8.29	-£82.92	14.45	£144.53	7.44	£74.43
45	-8.29	-£82.92	14.45	£144.53	7.44	£74.43
55	-6.28	-£62.77	4.93	£49.28	2.68	£26.77

Source: Legal & General

Other investment options – self-select funds

Over the year to 31 March 2023, net investment performance for the self-select funds ranged from a fall in value of 25.78% (or, put another way, a fall in value of £257.81 per £1,000 invested) for the BGPS Index-Linked Gilts Fund to a rise in value of 2.39% (or, put another way, a rise in value of £23.93 per £1,000 invested) for the BGPS UK Equity Fund.

Over the 3 years to 31 March 2023, net investment performance for the self-select funds ranged from a fall in value of 9.38% p.a. (or, put another way, a fall in value of £93.76 p.a. per £1,000 invested) for the BGPS Gilts Fund to a rise in value of 15.81% p.a. (or, put another way, a rise in value of £158.15 p.a. per £1,000 invested) for the BGPS World Equity Fund.

For the self-select funds the investment return does not vary depending on your age and how far you are from your selected retirement age.

Other investment options – legacy AVCs

The Scheme also held legacy AVCs during the period covered by this Statement, invested in With Profits Funds with Clerical Medical, Phoenix Life, Clerical Medical (but held with Utmost Life) and Scottish Friendly.

The investment performance for the With Profits funds was as follows:

	1 year 1 January 2022 – 31 December 2022 (%)
Clerical Medical With Profits Fund	N/A
Phoenix LL Pension Traditional With Profits – V1 Fund	-16.0%
Clerical Medical Unitised With-Profit Fund held with Utmost Life	-8.0%
Scottish Friendly – With Profits	-8.7

This information is provided gross of fees; the With Profits providers cannot provide performance net of charges and transaction costs, due to the way With Profits Funds operate. The With Profits providers calculate performance based on their own reporting periods, which are different to the Scheme's reporting period. Performance for the Clerical Medical With Profits Fund is not available at the time of writing; the Trustee will keep requesting the missing information from the providers. The latest information that the Trustee received from Clerical Medical was the performance of the Clerical Medical With Profits Fund during the 12 months to 31 December 2021, which was 10.1%. This was reported in last year's Chair's Statement.

More information

Investment returns for all self-select funds over a one-year period, a three-year period to 31 March 2023 as well as since inception (as the funds have been in place for less than 5 years) 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 in the Downloads section of the Scheme's website at www.baxipensions.co.uk

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).

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.

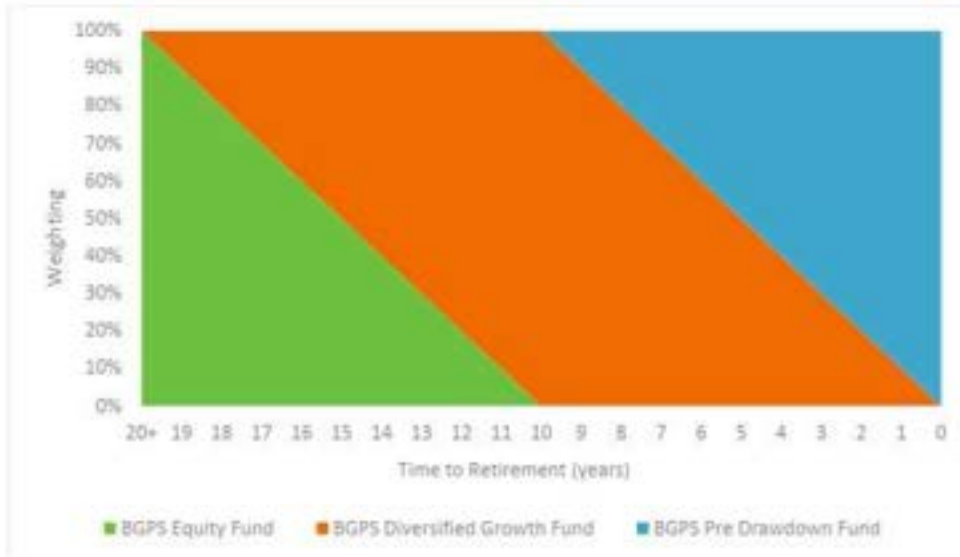
It was not possible to obtain the charges and transaction costs for some of the legacy AVC funds. More details are given in "Missing Information" at the end of this Statement.

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 0.135% to 0.501% p.a. of the amount invested or, put another way, in a range from £1.35 to £5.01 per £1,000 invested.

The transaction costs borne by members in the BGPS Drawdown Lifestyle default arrangement during the year were in a range from a saving of 0.022% to a cost of 0.094% p.a. of the amount invested or, put another way, in a range from a saving of £0.22 to a cost of £0.94 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	0.135%	£1.35	0.094%	£0.94
15 years	0.318%	£3.18	0.036%	£0.36
10 years	0.501%	£5.01	-0.022%	-£0.22
5 years	0.382%	£3.82	0.019%	£0.19
At retirement	0.264%	£2.64	0.060%	£0.60

Source: Legal & General

The average charge for the default arrangement, the BGPS Drawdown Lifestyle, over a 40 year savings period was 0.241% p.a.

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

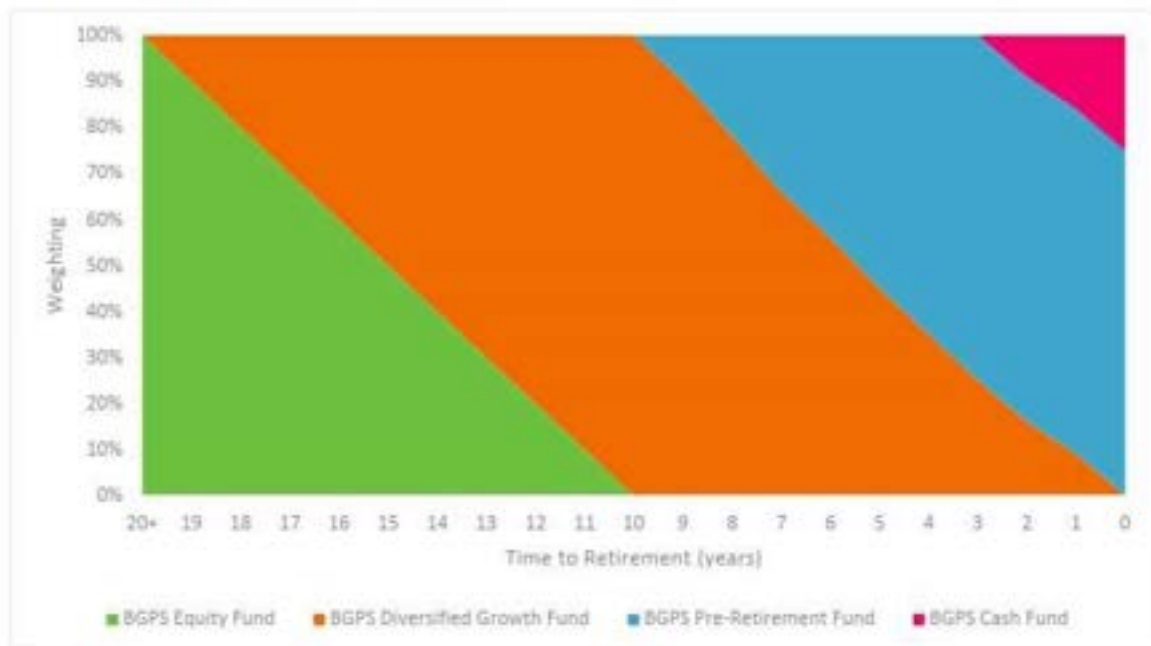
The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the BGPS Drawdown Lifestyle complied with the charge cap during the year covered by this Statement.

The following investment options (the BGPS Annuity Lifestyle and the BGPS Cash Lifestyle) are also considered to be "default arrangements" for some members.

Other default arrangements' charges and transaction costs

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.



During the year covered by this Statement the member-borne charges for the BGPS Annuity Lifestyle were in a range from 0.135% to 0.501% p.a. of the amount invested or, put another way, in a range from £1.35 to £5.01 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 0.022% to a cost of 0.094% p.a. of the amount invested or, put another way, in a range from a saving of £0.22 to a cost of £0.94 per £1,000 invested.

Period to retirement	Charge		Transaction costs	
	p.a.	£ per £1,000	p.a.	£ per £1,000
20+ years	0.135%	£1.35	0.094%	£0.94
15 years	0.318%	£3.18	0.036%	£0.36
10 years	0.501%	£5.01	-0.022%	-£0.22
5 years	0.308%	£3.08	0.006%	£0.06
At retirement	0.147%	£1.47	0.012%	£0.12

Source: Legal & General

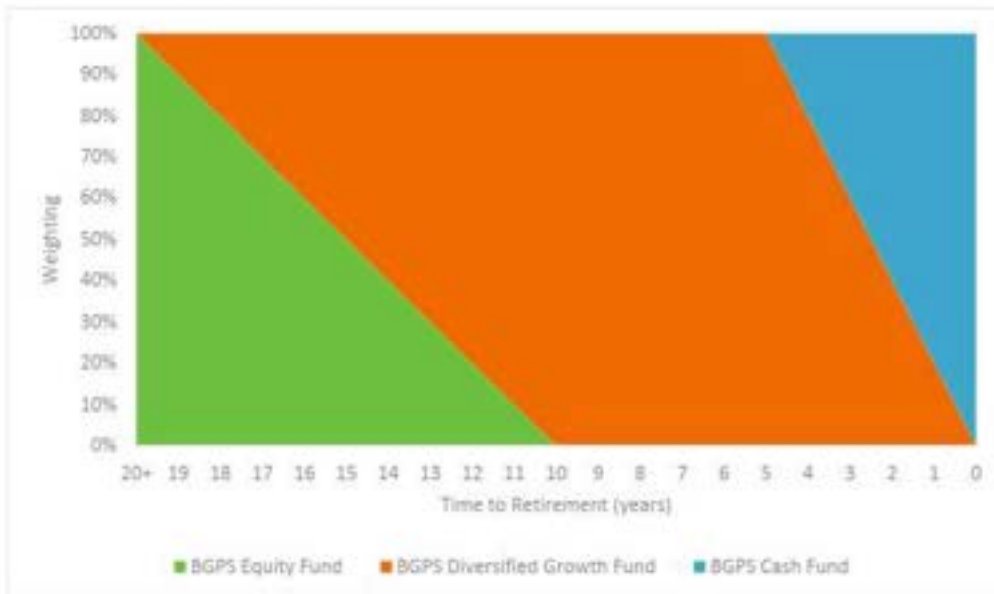
The average charge for the BGPS Annuity Lifestyle over a 40 year savings period was 0.223% p.a.

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 0.135% to 0.501% p.a. of the amount invested or, put another way, in a range from £1.35 to £5.01 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 0.039% to a cost of 0.094% p.a. of the amount invested or, put another way, in a range from a saving of £0.39 to a cost of £0.94 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	0.135%	£1.35	0.094%	£0.94
15 years	0.318%	£3.18	0.036%	£0.36
10 years	0.501%	£5.01	-0.022%	-£0.22
5 years	0.501%	£5.01	-0.022%	-£0.22
At retirement	0.135%	£1.35	-0.039%	-£0.39

Source: Legal & General

The average charge for the BGPS Cash Lifestyle over a 40 year savings period was 0.246% 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

During the year to 31 March 2023 the charges for the self-select funds were in a range from 0.050% to 0.820% of the amount invested or, put another way, in a range from £0.50 to £8.20 per £1,000 invested.

The transaction costs borne by members in the self-select funds during the year to 31 March 2023 were in a range from a saving of 0.039% to a cost of 0.181% of the amount invested or, put another way, in a range from a saving of £0.39 to a cost of £1.81 per £1,000 invested.

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

Other investment options

Legacy AVCs

The Scheme also held legacy AVCs during the period covered by this Statement, invested in With Profits Funds.

With-Profits AVCs

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

The Trustee last reviewed the legacy AVC arrangements on 28 February 2023. 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 it would not be in the interest of members invested in the With Profits Funds to be transferred somewhere else due to the nature of the guarantees.

The Trustee will review the With Profits Funds again in three years' time, no later than 2026.

Charges and transaction costs for legacy AVCs

Clerical Medical With-Profits Fund

The Clerical Medical AVCs are invested in the Clerical Medical With-Profits Fund.

The transaction costs for the Clerical Medical With-Profits Fund over the Scheme year were 0.33%. Clerical Medical were unable to provide the charges over the Scheme year, and the Trustee will keep requesting this missing information.

Phoenix Life

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

During the period 1 July 2021 to 30 June 2022, the level of member borne charges expressed a "Total Expense Ratio" borne by members was 1% and the transaction costs were 0.04%. The information over the Scheme year has not been made available by Phoenix yet. The Trustee will keep requesting this information.

Utmost Life

The Utmost Life AVCs are invested in the Clerical Medical With-Profits Fund, which is held with Utmost Life.

The Annual Management Charge for the Clerical Medical With-Profits Fund over the Scheme Year was 0.5% and the transaction costs were 0.33%.

Scottish Friendly

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

Scottish Friendly have confirmed that there were no ongoing charges or transaction costs applicable to the Scheme's policies with Scottish Friendly. However, the Trustee believes that there are applicable charges and is aware that a few AVC providers in the market (including Scottish Friendly) are not providing this information even though it is required by the regulations in force. Therefore, 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 DB 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 total contribution rate of 12% (4% employee and 8% employer).

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
- Two funds from the Scheme's self-select fund range:

- Fund with the highest charges – the BGPS Property Fund and
- Fund with the lowest charges – the BGPS Index-Linked Gilts 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 allowing for transaction costs.

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 their projected pot value at retirement in today's money from £164,004 to £156,098.

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 four year reporting period i.e. the last four years since the funds were implemented with Legal & General;
- 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 its 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 2023

The Scheme provided Good Value for Members in the year ended 31 March 2023.

Rating rationale

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	<p>The Scheme's investments are held with the Legal & General Investment Management ("LGIM") investment only platform.</p> <p>The default arrangement was well under the 0.75% p.a. charge cap requirement. In the BGPS Drawdown Lifestyle, charges range from 0.135% p.a. (during the growth phase), 0.501% p.a. (during the consolidation phase) to 0.241% p.a. (at the end of the de-risking phase).</p> <p>The other default lifestyles are the BGPS Annuity Lifestyle and BGPS Cash Lifestyle. In the BGPS Annuity Lifestyle, charges range from 0.135% p.a. (during the growth phase), 0.501% p.a. (during the consolidation phase) to 0.147% p.a. (at the end of the de-risking phase). In the BGPS Cash Lifestyle, charges range from 0.135% p.a. (during the growth phase), 0.501% p.a. (during the consolidation phase) to 0.135% p.a. (at the end of the de-risking phase).</p> <p>The self-select fund charges range from 0.05% p.a. to 0.82% p.a. which the Trustee believes offers good value.</p> <p>In the BGPS Drawdown Lifestyle the transaction costs range from a saving of 0.022% p.a. to a cost of 0.094% p.a. depending on how far from retirement the member is.</p> <p>In the BGPS Annuity Lifestyle and the BGPS Cash Lifestyle the transaction costs range from a saving of 0.039% p.a. to a cost of 0.094% p.a. depending on how far</p>

Service and weighting	Rating	Rationale
		<p>from retirement the member is. The transaction costs for the self-select funds range from a saving of 0.039% p.a. to a cost of 0.181% p.a.</p> <p>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.</p> <p>No full review was due to be undertaken during the Scheme year. The Trustee monitored investment performance against benchmarks on a quarterly basis for the default arrangement as well as the other investment options. The BGPS Diversified Growth Fund and the BGPS Pre Drawdown Fund (which are part of the default arrangement) underperformed in relation to their benchmarks. The Trustee notes that the Scheme year was turbulent for markets due to high inflation, the war in Ukraine as well as the mini budget in October 2022, so will continue to monitor performance over the longer term.</p>

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 considers 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, and governance and retirement.

The Scheme provided **Good** Overall Value for Money in the year ended 31 March 2023.

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
- Payments of benefits
- Providing quotations of benefits to members who are retiring or leaving the Scheme
- Producing annual benefit statements
- 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.

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

- 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 97.7% in Q2 2022, 99.8% in Q3 2022, 98.8% in Q4 2022 and 98.5% in Q1 2023 which met the pre-set target of 90%;
- Receiving reports from the Scheme's Auditor; and
- Considering member feedback including any complaints (of which there were four 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 latest internal controls report from Buck's auditor EY, covering the period from 1 May 2021 to 30 April 2022, noted one single exception out of c.90 tests, which was promptly resolved.

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 Trustee meets with the Scheme administrators at 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 reviewed the Scheme Administrator in March 2022 and agreed that the administration services remained appropriate and competitive.

Bulk transfers of assets

There were no bulk transfers carried out during the year to 31 March 2023.

Data quality

Each year the Trustee asks 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 May 2022. This showed that common data was present for 92.98% of membership data – compared to 94.52% at the last assessment (April 2020) so is broadly unchanged. The audit also showed that conditional data was present for 94.57% of membership data. This was much higher than the last assessment (52.95%) in April 2020 as the Trustee and Buck had reviewed the Scheme-specific tests that were carried out within the audit, which led to a higher score.

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

Cyber security

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

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.

No cyber security review was undertaken during the Scheme year. The Trustee asked Grant Thornton to undertake a cyber security review on its behalf, which was completed on 10 November 2021. As a result of this review, personal identifiers have been removed to increase member confidentiality, all Scheme transfer information is being uploaded to a secure portal rather than being sent by email, and a cyber security Incident Response Management Plan has been put in place.

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.

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 13 to 14. 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 Trustee takes the security of assets into account when selecting and monitoring the funds used by the Scheme.

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 SIP 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 Director's current practices to maintain and develop their level of knowledge and understanding of matters relating to the Scheme are set out below.

- 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. 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 TPR 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.
 - All Trustee Directors 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 SIP 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;
- 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 regularly;
- 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 DC (and AVC) 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. The Trustee undertook a Trustee Training Day on 13 June 2022; this covered topics including the General Code of Practice, ESG considerations in investment, various asset classes and roles and responsibilities of a trustee.

All the Trustee Directors have access to copies of and are familiar with the current governing documentation for the Scheme, including the Trust Deed and Rules (together with any amendments) and 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 in November 2021.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. A session to review gaps in Trustee knowledge and understanding was carried out in January 2021. The Trustee Directors completed a questionnaire in advance of the session to assess their knowledge against a list of key topics. The training programme each year takes account of the results of this session, aiming to address the identified gaps over time.

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. Investment matters (including DC) are dealt with by an Investment Sub-Committee, which also met four times over the Scheme year.

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.

No Trustee effectiveness review was carried out over the Scheme year. The last review was carried out in January 2021 and the next review will be carried out over the next Scheme Year.

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 receive this training yearly but it considers both with its advisers as part of Trustee meetings and Sub-Committee meetings. The last training session on the Trust Deed and Rules was carried out in 2019.

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

Date	Topic	Aim/benefit to the Trustee	Trainer
13 June 2022 (Trustee Training Day)	Environmental, Social and Governance considerations	To ensure the Trustee is aware of new investment developments in this area.	Mercer
13 June 2022 (Trustee Training Day)	Major asset classes and their characteristics	To address a training gap identified as part of a training review. The Trustee is better equipped to make investment decisions.	Mercer
13 June 2022 (Trustee Training Day)	General Code of Practice	To ensure the Trustee is aware of the upcoming requirements.	Pinsent Masons
13 June 2022 (Trustee Training Day)	Trustee roles and responsibilities	To address a training gap identified as part of a training review. The Trustee Directors are better aware of their roles and responsibilities.	Pinsent Masons
13 June 2022 (Trustee Training Day)	Location of original documents and safekeeping	To address a training gap identified as part of a training review. The Trustee is aware of the location of original documents, if needed.	Pinsent Masons

Date	Topic	Aim/benefit to the Trustee	Trainer
13 June 2022 (Trustee Training Day)	Memorandum and Articles of Association of the Corporate Trustee	To address a training gap identified as part of a training review. The Trustee Directors are reminded of the contents of these documents.	Pinsent Masons
13 June 2022 (Trustee Training Day)	Overview of new online documents storage system	To ensure the Trustee is familiar with the new system and can access meeting papers.	Pinsent Masons
1 March 2023 (Trustee meeting)	TPR checklist for DC Savers	To ensure the Trustee is familiar with TPR's expectations and can take appropriate action, if needed.	Hymans Robertson

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 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 formally reviewed Buck in March 2022, and the rest of its advisers in the first quarter of 2018. The Trustee keeps these appointments under ongoing review.

The Trustee undertook the following reviews during the last year:

Date	Review of
8 November 2022 (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.
8 November 2022 (DC Sub Committee meeting)	How well the Scheme complied with the DC Code of Practice.
December 2022	The Scheme's investment consultants' performance against set objectives.

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 Completed and future actions

During the last year we:

- Regularly assessed fund fees, suitability and performance through input from the Scheme's DC investment adviser;
- Held a Trustee Training Day and covered a variety of topics which the Trustee Directors previously indicated they required training on;
- Improved Value for Members by:
 - *Working closely with our advisers to produce engaging communications issued to members to help aid education on their benefits; and*
 - *Continuing to work on the communications strategy review to ensure consistency between Trustee and Company communications.*
- Reviewed the DC Annual Business Plan and the DC Objectives;
- Reviewed the performance of the investment consultants against set objectives;
- Reviewed how well the Scheme complied with the DC Code of Practice;
- Arranged for the publication of this Statement, together with the SIP in a publicly searchable location on the internet with a note of this location in the annual benefit statements; and
- Considered whether value for money for members would be improved by transferring the assets to a Master Trust and concluded that the Scheme provided good value and so it was currently not appropriate to transfer to a Master Trust.

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

- Continue to review Scheme communications;
- Rectify the inadvertent default arrangements (the BGPS Annuity Lifestyle and the BGPS Cash Lifestyle);
- Undertake an assessment of how well the Scheme complies against the General Code of Practice, once this is released by TPR;
- Undertake reviews of the effectiveness of the Trustee Board and its advisers and providers; and
- Complete our yearly implementation statement describing how we have followed the policies in the Scheme's SIP.

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;
 - Phoenix LL Pension Traditional With Profits – V1 Fund – charges and transaction costs are, however, available for the period 1 July 2021 – 31 June 2022.
- The charges and investment performance for the Clerical Medical With Profits Fund during the period covered by this Statement.

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.

Appendix 1
Statement of Investment Principles – November 2021

THE BAXI GROUP PENSION SCHEME

Statement of Investment Principles – November 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 derisking 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.

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")	<i>Growth Phase: BGPS Equity Fund</i> <i>Consolidation Phase: BGPS Diversified Growth Fund</i> <i>Pre-Retirement Phase: BGPS Pre-Drawdown Fund</i>
BGPS Annuity Lifestyle (a technical Default)	<i>Growth Phase: BGPS Equity Fund</i> <i>Consolidation Phase: BGPS Diversified Growth Fund</i> <i>Pre-Retirement Phase: BGPS Pre-Retirement Fund,</i> <i>BGPS Cash Fund</i>
BGPS Cash Lifestyle (a technical Default)	<i>Growth Phase: BGPS Equity Fund</i> <i>Consolidation Phase: BGPS Diversified Growth Fund</i> <i>Pre-Retirement Phase: BGPS Cash Fund</i>

**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 Fund. Consistent 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	<p>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.</p> <p>This risk does not specifically apply to the BGPS Cash Fund. The BGPS Cash Fund objective is to provide protection to members.</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.</p>

Risk	How it is managed	How it is measured
Pension Conversion Risk	<p>The BGPS Cash Lifestyle and BGPS Annuity Lifestyle options have a specific objective to target a different method of taking benefits.</p> <p>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.</p>	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	<p>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.</p> <p>This risk does not specifically apply to the BGPS Cash Fund as all holdings are Sterling based.</p>	<p>Monitors the performance of funds on a quarterly basis.</p> <p>Considers the impact of the movements in foreign currencies relative to pound sterling.</p>
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.

Signed on behalf of the Trustee.

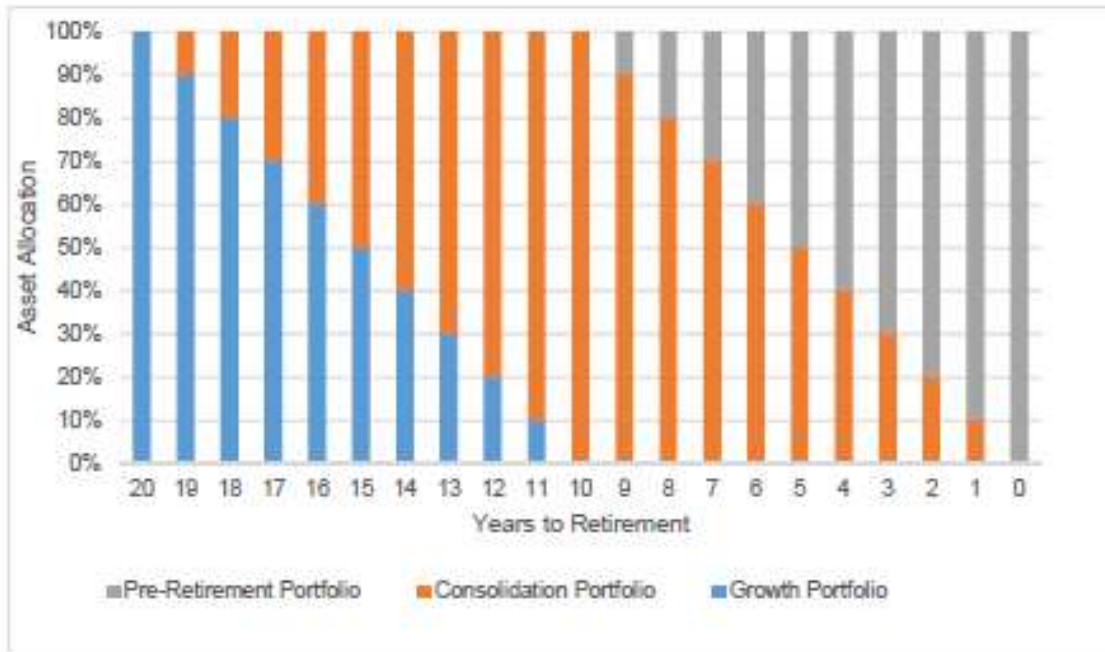


30/09/2022

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)	TER (%)
Growth Portfolio	BGPS Equity Fund	100% LGIM World Equity Index (FTSE) Fund – GBP Currency Hedged	0.13
Consolidation Portfolio	BGPS Diversified Growth Fund	50% LGIM Diversified Growth Fund 50% Insight Broad Opportunities Fund	0.50
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	0.26

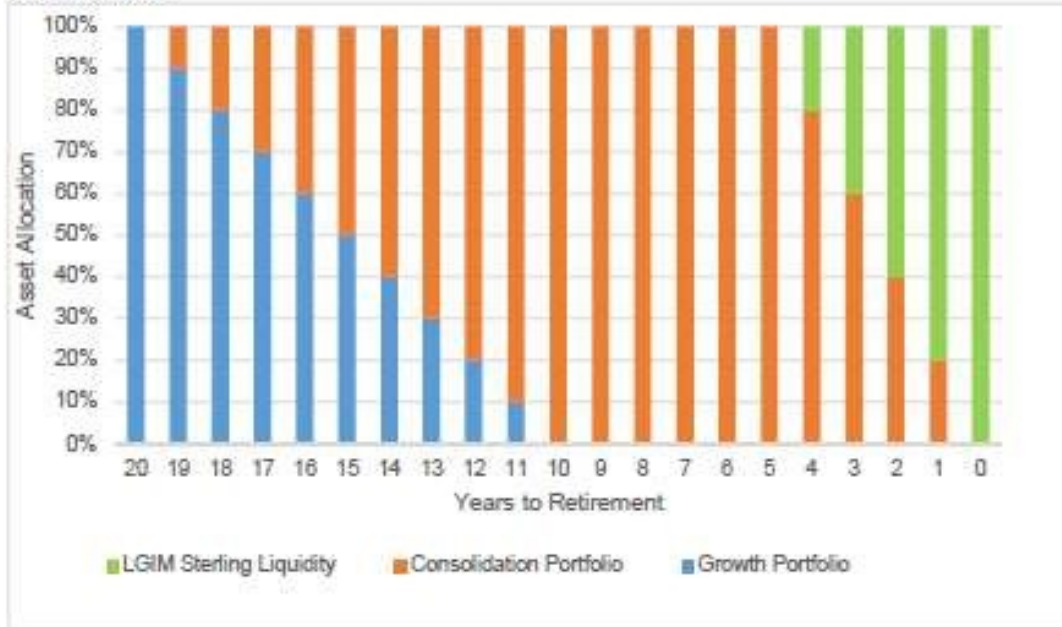
The Trustee has considered risks in relation to the default from a number of perspectives. The Trustee considers how these risks are managed and monitored. The approach taken for the default does not differ from that of the Scheme. The considered risks are in relation to what the Trustee considers 'financially 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.

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)	TER (%)
Growth Portfolio	BGPS Equity Fund	100% LGIM World Equity Index (FTSE) Fund – GBP Currency Hedged	0.13
Consolidation Portfolio	BGPS Diversified Growth Fund	50% LGIM Diversified Growth Fund 50% Insight Broad Opportunities Fund	0.50
Pre-Retirement Portfolio	BGPS Cash Fund	100% LGIM Sterling Liquidity	0.13

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)	TER (%)
Growth Portfolio	BGPS Equity Fund	100% LGIM World Equity Index (FTSE) Fund – GBP Currency Hedged	0.150
Consolidation Portfolio	BGPS Diversified Growth Fund	50% LGIM Diversified Growth Fund 50% Insight Broad Opportunities Fund	0.500
Pre-Retirement Portfolio	BGPS Pre-Retirement Fund BGPS Cash Fund	75% LGIM Pre-Retirement Fund 25% LGIM Sterling Liquidity	0.145

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 (<i>LGIM World ex UK Developed Equity Index – GBP Hedged fund</i>)	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 (<i>LGIM Global Equity Fixed Weights (50:50) Index Fund</i>)	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 (<i>LGIM World (ex UK) Developed Equity Index Fund</i>)	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 (<i>LGIM UK Equity Index Fund</i>)	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 (<i>LGIM World Emerging Markets Equity Index</i>)	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 (<i>LGIM HSBC Islamic Equity Index</i>)	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 (<i>blend of 50% LGIM Diversified Growth Fund and 50% Insight Broad Opportunities Fund</i>)	Composite of underlying funds	Composite of underlying funds	0.50%
BGPS Property Fund (<i>LGIM PMC Threadneedle Property</i>)	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%

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

Za 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	GB0008ZVK362	0.135%	£1.35	LGIM World Equity Index Fund – GBP Hedged	0.094%	£0.94
BGPS Diversified Growth Fund	GB0008ZVK618	0.501%	£5.01	LGIM Diversified Fund Insight Broad Opportunities Fund	-0.022%	-£0.22
BGPS Pre Drawdown Fund	GB0008ZVL220	0.264%	£2.64	LGIM Retirement Income Multi Asset Fund LGIM AAA-AA-A Corporate Bond All Stocks Index LGIM Sterling Liquidity	0.060%	£0.60

Source: Legal & General

2b Lifestyle options outside the default arrangement – considered inadvertent defaults

The two lifestyle options below are considered inadvertent defaults.

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	GB0088ZVK362	0.135%	£1.35	LGIM World Equity Index Fund – GBP Hedged	0.094%	£0.94
BGPS Diversified Growth Fund	GB0088ZVK818	0.501%	£5.01	LGIM Diversified Fund Insight Broad Opportunities Fund	-0.022%	-£0.22
BGPS Pre-Retirement Fund	GB0088ZVL774	0.151%	£1.51	LGIM Pre-Retirement Fund	0.029%	£0.29
BGPS Cash Fund	GB0088ZVLL12	0.135%	£1.35	LGIM Sterling Liquidity	-0.039%	-£0.39

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	GB0088ZVK362	0.135%	£1.35	LGIM World Equity Index Fund – GBP Hedged	0.094%	£0.94
BGPS Diversified Growth Fund	GB0088ZVK818	0.501%	£5.01	LGIM Diversified Fund Insight Broad Opportunities Fund	-0.022%	-£0.22
BGPS Cash Fund	GB0088ZVLL12	0.135%	£1.35	LGIM Sterling Liquidity	-0.039%	-£0.39

Source: Legal & General

2c Self-select funds

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	GB00088ZVLN36	0.136%	£1.36	LGIM UK Equity Index	0.029%	£0.29
BGPS World Equity Fund	GB00088ZVLT97	0.153%	£1.53	LGIM World (ex UK) Developed Equity Index Fund	0.065%	£0.65
BGPS Sterling Hedged World Equity Fund	GB00088ZVLO66	0.132%	£1.32	LGIM World (ex UK) Developed Equity Index Fund - GBP Hedged	0.097%	£0.97
BGPS Emerging Markets Fund	GB00088ZVK925	0.230%	£2.30	LGIM World Emerging Markets Equity Index	0.045%	£0.45
BGPS Global (50:50) Equity Fund	GB00088ZVLX34	0.152%	£1.52	LGIM Global Equity Fixed Weights (50:50) Index Fund	0.046%	£0.46
BGPS Islamic Equity Fund	GB00088ZVLG68	0.344%	£3.44	LGIM HSBC Islamic Equity Index	-0.029%	-£0.29
BGPS Diversified Growth Fund	GB00088ZVK818	0.501%	£5.01	LGIM Diversified Fund	-0.022%	-£0.22
BGPS Future World Fund	GB00088ZVL550	0.205%	£2.05	Insight Broad Opportunities Fund	0.102%	£1.02
BGPS Pre-Retirement Fund	GB00088ZVL774	0.151%	£1.51	LGIM Future World Fund	0.029%	£0.29
BGPS Retirement Income Fund	GB00088ZVL998	0.369%	£3.69	LGIM Pre-Retirement Fund	0.118%	£1.18
BGPS Gilts Fund	GB00088ZVKL47	0.061%	£0.61	LGIM Retirement Income Multi Asset Fund	0.148%	£1.48
BGPS Index-Linked Gilts Fund	GB00088ZVKJ25	0.050%	£0.50	LGIM All Stocks Gilts Index	0.181%	£1.81
BGPS Corporate Bond Fund	GB00088ZVL257	0.065%	£0.65	LGIM All Stocks Index Linked Gilts Fund	-0.028%	-£0.28
BGPS Property Fund	GB00088ZVKD62	0.820%	£8.20	LGIM AAA-AA-A Corporate Bond All Stocks Index	0.100%	£1.00
BGPS Cash Fund	GB00088ZVLL12	0.135%	£1.35	Threadneedle Property Fund (GBP)	-0.039%	-£0.39
				LGIM Sterling Liquidity		

Source: Legal & General

2d Legacy AVCs

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
Clerical Medical Utilised With-Profit Fund held with Utmost Life	N/A	N/A	0.50%	£5.00	0.33%	£3.30
Phoenix LL Pension Traditional With Profits – V1 Fund†	N/A	N/A	1.00%	£10.00	0.04%	£0.40
Scottish Friendly – With Profits††	N/A	N/A	Not available	Not available	Not available	Not available
Clerical Medical With Profits Funds††	N/A	N/A	Not available	Not available	0.33%	£3.30

Source: Utmost Life / Phoenix Life / Scottish Friendly / Clerical Medical

†The Charges and Transaction Costs figures given here are for the reporting period 1 July 2021 to 30 June 2022. The Trustee is requesting more recent information.

††The Trustee is requesting the missing information.

* 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 £26,250, an annual salary of £34,000 and a total contribution of 12% p.a. (4% employee, 8% employer).

Years to retirement	Before costs and charges £	After costs and charges are taken £
0	£164,004	£156,098
3	£139,269	£133,187
5	£123,426	£118,546
10	£86,542	£84,410
15	£53,966	£53,430
20	£26,250	£26,250

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 12% p.a. (4% employee, 8% employer).

Years to retirement	Before costs and charges £	After costs and charges are taken £
0	£259,484	£240,374
3	£232,127	£216,337
5	£214,232	£200,710
10	£171,338	£163,377
15	£131,602	£127,516
20	£95,924	£93,749
25	£66,123	£64,971
30	£42,135	£41,614
35	£22,916	£22,745
40	£7,608	£7,587
43	£0	£0

Source: Hymans Robertson

3b For the alternative lifestyle options available to members

For members initially aged 45 with a starting pot size of £26,250, an annual salary of £34,000 and a total contribution of 12% p.a. (4% employee, 8% 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 £
0	£158,242	£151,234	£168,388	£158,048
3	£136,560	£130,963	£141,273	£134,422
5	£122,245	£117,573	£124,312	£119,131
10	£86,542	£84,410	£86,542	£84,410
15	£53,966	£53,430	£53,966	£53,430
20	£26,250	£26,250	£26,250	£26,250

Source: Hyman Robertson

For members initially aged 22 with a starting pot size of £0, an annual salary of £20,000 and a total contribution of 12% p.a. (4% employee, 8% 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 £
0	£249,792	£232,411	£266,861	£243,624
3	£227,407	£212,557	£235,624	£218,444
5	£212,113	£199,005	£215,824	£201,736
10	£171,338	£163,377	£171,338	£163,377
15	£131,602	£127,516	£131,602	£127,516
20	£95,924	£93,749	£95,924	£93,749
25	£66,123	£64,971	£66,123	£64,971
30	£42,135	£41,614	£42,135	£41,614
35	£22,916	£22,745	£22,916	£22,745
40	£7,608	£7,587	£7,608	£7,587
43	£0	£0	£0	£0

Source: Hyman Robertson

Source: Hymans Robertson

Years to retirement	BGPS Property Fund (highest charging)		BGPS Index-Linked Gilt Fund (lowest charging)	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
43	£0	£0	£0	£0
40	£7,473	£7,379	£7,234	£7,220
35	£21,828	£21,095	£20,007	£19,904
30	£38,876	£36,757	£33,721	£33,442
25	£59,032	£54,581	£48,431	£47,880
20	£82,770	£74,804	£64,193	£63,266
15	£110,632	£97,889	£81,068	£79,651
10	£143,241	£123,527	£99,119	£97,091
5	£181,309	£152,634	£118,414	£115,641
3	£198,244	£165,269	£126,496	£123,385
0	£225,651	£185,361	£139,023	£135,361

For members initially aged 22 with a starting pot size of £0, an annual salary of £20,000 and a total contribution of 12% p.a. (4% employer, 8% employee).

Source: Hymans Robertson

Years to retirement	BGPS Property Fund (highest charging)		BGPS Index-Linked Gilt Fund (lowest charging)	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
20	£26,250	£26,250	£26,250	£26,250
15	£51,922	£50,230	£47,693	£47,453
10	£82,320	£77,547	£70,699	£70,070
5	£118,167	£108,572	£95,357	£94,177
3	£134,214	£122,109	£105,705	£104,255
0	£160,292	£143,710	£121,763	£119,855

For members initially aged 45 with a starting pot size of £26,250, an annual salary of £34,000 and a total contribution of 12% p.a. (4% employer, 8% employee).

3c For the highest charging and lowest charging self-select funds:

Assumptions

The assumptions used in these calculations were:

- The opening DC pot size for members within the Scheme is £26,250, which was the average pot size for members at 31 March 2023.
- A contribution in current day terms of £4,080 p.a., which was the average contribution (12%) using a salary of £34,000. This was the average salary for members as at 31 March 2023.
- The gross investment return for each fund above was:

Fund	Return % p.a.
BGPS Equity Fund	6.50%
BGPS Diversified Growth Fund	5.50%
BGPS Pre Drawdown Fund	4.70%
BGPS Pre-Retirement Fund	3.80%
BGPS Property Fund	5.25%
BGPS Index-Linked Gilt Fund	3.00%

- 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 four Scheme years, since the funds' inception date with Legal & General (December 2018);
- 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.

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;
- Have used assumptions which 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;
- (for the lifestyle strategies) Depend upon how far members 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.

Appendix 4 Investment performance

Self-select funds

The investment performance of the self-select funds during periods up to 31 March 2023 net of all costs and charges expressed as an annual percentage were:

Fund	1 year 1 April 2022 – 31 March 2023 (%)	3 years 1 April 2020 – 31 March 2023 (% p.a.)	Since inception 3 December 2018 – 31 March 2023 (% p.a.)
BGPS UK Equity Fund	2.39	14.28	5.22
BGPS World Equity Fund	-3.66	15.81	9.93
BGPS Sterling Hedged World Equity Fund	-9.04	15.27	8.49
BGPS Emerging Markets Fund	-4.86	8.85	3.30
BGPS Global (50:50) Equity Fund	1.20	14.64	7.04
BGPS Islamic Equity Fund	-5.85	15.68	11.48*
BGPS Diversified Growth Fund	-6.28	4.93	2.68
BGPS Future World Fund	-2.33	14.95	8.13
BGPS Pre-Retirement Fund	-19.78	-8.54	-3.02
BGPS Retirement Income Fund	-3.59	4.99	3.45
BGPS Gilts Fund	-16.44	-9.38	-3.22
BGPS Index-Linked Gilts Fund	-25.78	-8.66	-3.07
BGPS Corporate Bond Fund	-10.03	-3.92	-1.14
BGPS Cash Fund	2.12	0.72	0.71

BGPS Property Fund		-13.45	2.90	0.48*
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Source: Legal & General

For the self-select funds the investment return does not vary depending on your age and how far you are from your selected retirement age.