Baxi Group Pension Scheme

Annual Statement by the Chair of the Trustee Board for the year to 31 March 2024

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 2024.

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?

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 2023. 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 2024 the Scheme had 2,946 members and a total asset size of £86.7 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.

Post Scheme year end, with the input of the Trustee's investment adviser, a full review of the performance and suitability of the default arrangement was completed on 20 May 2024. Whilst the overall structure of the default arrangement remains unchanged, the Trustee has agreed to make changes to some of the underlying funds and the split between those funds. These are designed to improve environmental, social and governance ("ESG") integration and manage periods of difficult investment market conditions. These changes have been implemented post Scheme year end and will be reported on in more detail in next year's Chair's statement.

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

3 Investment performance

Whilst investment performance over the Scheme year was in line with - or even better - than expectations, investment markets were turbulent due to high inflation. As a result, the performance of the Scheme investments was impacted, as were many other pension schemes.

Over the year to 31 March 2024, the funds used in the Scheme's default arrangement saw investment returns rise in value between 6.20% and 26.92% (or, put another way, an increase between £62.02 and £269.24 for every £1,000 invested).

The investment returns produced by the funds in the default arrangement were in line with the funds' objectives. The Trustee has considered this again as part of the May 2024 review.

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 continually monitored these costs and charges during the last year:

The charges for the "default arrangement", the BGPS Drawdown Lifestyle, ranged from 0.13% to 0.51% of the amount invested (ranging between £1.34 to £5.07 for every £1,000 invested) – which is well within the "charge cap" in our Scheme required by the Government of 0.75% p.a. (£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 9% into their pension) in today's money by around £6,525 leaving a pot size of around £124,926 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 solely about cost, but also on the full range of services that members have access to and on the quality of the overall provision.

Value is measured on a scale from 'poor' to 'excellent'. 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 we aim to focus on improving value for you will be to continue to monitor investment performance and work on improving how we communicate with you.

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, a Gallagher company, who administer the Scheme.
- For the majority of the year, the wider administration of the Scheme was completed within the service standards we agreed with Buck, a Gallagher company, 97.1%, 97.9%, 91.0% and 85.2% of all cases were completed within the service standards for quarters 2, 3 and 4 of 2023 and quarter 1 of 2024, respectively.
- The drop in service levels in the last two quarters were due to additional requirements implemented to prevent pension scams and resourcing issues. Buck, a Gallagher company, has confirmed they have employed additional team members, which should improve SLAs.
- There were 6 complaints (less than 1% of membership) but these were promptly resolved by Buck, a Gallagher company.

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 professional advice, and we undergo training to help us do this.

All of the Trustee Directors attended training sessions during the year on subjects such as cyber security and diversity, equality and inclusion. The Trustee also held a Training Day to cover a variety of training topics. Please see Section 7 (page 28) 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;

- Considered whether value for money for members would be improved by transferring the assets to a Master Trust. We concluded that the Scheme provided good value and so it was currently not appropriate to do so; and
- Reviewed and updated the SIP to reflect changes in regulation such as stating our policy on investing in illiquid assets.

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 a triennial strategy review on the investment funds being offered to members (this was completed after the Scheme year on 20 May 2024);
- Undertake an assessment of how well the Scheme complies against the General Code of Practice;
- Continue to ensure compliance with the General Code and prepare for the first Own Risk Assessment (ORA) which will be due in 2026; 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. 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, a Gallagher company, 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 by you and Baxi, investment returns net of fees and how you choose to use your retirement savings. 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 2023 to 31 March 2024.

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: _______________

Chris Parrott, BESTrustees Limited

Chair of the Trustee of the Baxi Group Pension Scheme

1 How we manage your Scheme

At 31 March 2024, the Trustee Directors of the Scheme were:

- BESTrustees Limited, represented by Chris Parrott
- Diane Sutherland
- Katie Wright
- Claire Carlin
- Steve Randall
- John McFaull (Pensioner representative)

Simon Oliver stepped down as Trustee Director in May 2023.

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.

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 2023. This updated SIP incorporated further requirements on illiquid assets. You can find a copy of the SIP online at www.baxipensions.co.uk.

Over the year to 31 March 2024, the number of members in the Scheme's DC section grew from 2,773 to 2,946 while the total value of members' pension pots increased from £74.1 million to £86.7 million.

2 Investment options

Default arrangement (the BGPS Drawdown Lifestyle)

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

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

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

- To provide better member outcomes at retirement while subject to a level of investment risk which is appropriate to the majority of members who do not make active investment choices.
- To manage the principal investment risks faced by an average member during their membership of the Scheme.
- To avoid making a decision for a member as to how they will use their savings at retirement. This will mean the fund invests in a blend of different investment classes - bonds, cash and diversified growth funds.
- 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.

No full review of the performance and suitability of the default arrangement was due to be undertaken during the Scheme year. The last full review was completed on 15 September 2021 with the help of the Trustee's investment adviser. It was intended that the next full review would take place by 15 September 2024, or immediately following any significant change in investment policy or the Scheme's member profile.

A full review of the performance and suitability of the default arrangement was completed on 20 May 2024 with the help of the Trustee's investment adviser. The overall structure of the default arrangement remains unchanged, however, the Trustee has agreed to make the following changes to the underlying funds and the split between the underlying funds:

- Growth Phase – The BGPS Equity Fund will be replaced with the BGPS Future World Fund for equity investments.
- Consolidation Phase – Within the BGPS Diversified Growth Fund, the manager combination has been updated to a split of 75% Legal & General Investment Management ('LGIM') Diversified Fund / 25% Insight Broad Opportunities Fund (from the previous 50% / 50% split).

- At-Retirement Phase – Within the BGPS Pre-Drawdown Fund, the 15% allocation to the LGIM Corporate Bond Fund has been removed, replaced by a new allocation of 75% LGIM Retirement Income Multi Asset and 25% LGIM Sterling Liquidity.

These changes are designed to improve ESG integration and manage volatility levels. Some of these changes will also impact the Annuity and Cash Lifestyles. These changes will be implemented post Scheme year end and will be reported on in more detail in next year's Chair's statement.

It is intended that the next full review will take place by 20 May 2027, 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.

Asset allocation disclosure

The following table shows the asset allocation for the Scheme's default arrangement for members of different ages, as at 31 March 2024. The asset allocation disclosure meets the Department of Work and Pensions ('DWP') statutory guidance "Disclose and Explain asset allocation reporting and performance-based fees and the charge cap" as at January 2023.

Default arrangement (the BGPS Drawdown Lifestyle)

Asset class	Percentage allocation – average 25 y/o (%)	Percentage allocation – average 45 y/o (%)	Percentage allocation – average 55 y/o (%)	Percentage allocation – average 1 day prior to State Pension Age (%)
Cash	0.0%	0.0%	2.1%	25.0%

Bonds	0.0%	0.0%	22.0%	45.3%
Listed equities	100.0%	100.0%	38.7%	13.7%
Private equity	0.0%	0.0%	0.0%	0.0%
Infrastructure	0.0%	0.0%	0.0%	0.0%
Property / real estate	0.0%	0.0%	5.0%	0.0%
Private debt / credit	0.0%	0.0%	9.6%	9.7%
Other assets	0.0%	0.0%	22.6%	6.2%
Total	**100%**	**100%**	**100%**	**100%**

Note: The asset allocation figures presented have been calculated from the fund allocations detailed in the respective fund factsheets as of 31 March 2024. For members whose asset allocation at the selected age on the default glidepath involves multiple funds, we have determined the overall asset allocation based on the proportion of assets held in each fund.

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. 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 default arrangements (the BGPS Annuity Lifestyle)

Asset class	Percentage allocation – average 25 y/o (%)	Percentage allocation – average 45 y/o (%)	Percentage allocation – average 55 y/o (%)	Percentage allocation – average 1 day prior to State Pension Age (%)
Cash	0.0%	0.0%	2.1%	25.0%
Bonds	0.0%	0.0%	22.0%	75.0%
Listed equities	100.0%	100.0%	38.7%	0.0%
Private equity	0.0%	0.0%	0.0%	0.0%
Infrastructure	0.0%	0.0%	0.0%	0.0%
Property / real estate	0.0%	0.0%	5.0%	0.0%
Private debt / credit	0.0%	0.0%	9.6%	0.0%
Other assets	0.0%	0.0%	22.6%	0.0%
Total	**100%**	**100%**	**100%**	**100%**

Other default arrangements (the BGPS Cash Lifestyle)

Asset class	Percentage allocation – average 25 y/o (%)	Percentage allocation – average 45 y/o (%)	Percentage allocation – average 55 y/o (%)	Percentage allocation – average 1 day prior to State Pension Age (%)
Cash	0.0%	0.0%	2.1%	100.0%
Bonds	0.0%	0.0%	22.0%	0.0%
Listed equities	100.0%	100.0%	38.7%	0.0%
Private equity	0.0%	0.0%	0.0%	0.0%
Infrastructure	0.0%	0.0%	0.0%	0.0%
Property / real estate	0.0%	0.0%	5.0%	0.0%
Private debt / credit	0.0%	0.0%	9.6%	0.0%
Other assets	0.0%	0.0%	22.6%	0.0%
Total	**100%**	**100%**	**100%**	**100%**

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 other investment options was due to be undertaken during this Scheme year. It was intended that the next full review would take place by 15 September 2024, or immediately following any significant change in investment policy or the Scheme's member profile.

Post Scheme year end, an in-depth review of the performance and suitability of these other investment options was completed on 20 May 2024, as part of the review of the default arrangement. Whilst the overall structure of the default arrangement remains unchanged, the Trustee has agreed to make changes to some of the underlying funds and the split between those funds. These are designed to improve environmental, social and governance ("ESG") integration and manage periods of difficult investment market conditions. These changes have been implemented post Scheme year end and will be reported on in more detail in next year's Chair's statement.

It is intended that the next full review will take place by 20 May 2027, 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 each manager's 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 DWP.

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 Trustee notes that performance has improved over the Scheme year compared to the previous Scheme year 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 2023 – 31 March 2024 (%)	1 year 1 April 2023 – 31 March 2024 (per £1,000)	3 years 1 April 2021 – 31 March 2024 (% p.a.)	3 years 1 April 2021 – 31 March 2024 (per £1,000)	5 years 1 April 2019 – 31 March 2024 (% p.a.)	5 years 1 April 2019 – 31 March 2024 (per £1,000)
BGPS Equity Fund	26.92	£269.24	9.37	£93.71	11.09	£110.94
BGPS Diversified Growth Fund	9.47	£94.73	2.49	£24.91	3.65	£36.52
BGPS Pre Drawdown Fund	6.20	£62.02	1.45	£14.51	2.57	£25.74

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 2024 (years)	1 year 1 April 2023 – 31 March 2024 (%)	1 year 1 April 2023 – 31 March 2024 (per £1,000)	3 years 1 April 2021 – 31 March 2024 (% p.a.)	3 years 1 April 2021 – 31 March 2024 (per £1,000)	5 years 1 April 2019 – 31 March 2024 (% p.a.)	5 years 1 April 2019 – 31 March 2024 (per £1,000)
25	26.92	£269.24	9.37	£93.71	11.09	£110.94
45	26.92	£269.24	9.37	£93.71	11.09	£110.94
55	9.47	£94.73	2.49	£24.91	3.65	£36.52
60	7.84	£78.38	1.97	£19.71	3.11	£31.13

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 2023 – 31 March 2024 (%)	1 year 1 April 2023 – 31 March 2024 (per £1,000)	3 years 1 April 2021 – 31 March 2024 (% p.a.)	3 years 1 April 2021 – 31 March 2024 (per £1,000)	5 years 1 April 2019 – 31 March 2024 (% p.a.)	5 years 1 April 2019 – 31 March 2024 (per £1,000)
BGPS Equity Fund	26.92	£269.24	9.37	£93.71	11.09	£110.94
BGPS Diversified Growth Fund	9.47	£94.73	2.49	£24.91	3.65	£36.52
BGPS Pre Retirement Fund	3.43	£34.28	-8.30	-£82.99	-3.44	-£34.39
BGPS Cash Fund	5.06	£50.59	2.37	£23.73	1.57	£15.66

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 2024 (years)	1 year 1 April 2023 – 31 March 2024 (%)	1 year 1 April 2023 – 31 March 2024 (per £1,000)	3 years 1 April 2021 – 31 March 2024 (% p.a.)	3 years 1 April 2021 – 31 March 2024 (per £1,000)	5 years 1 April 2019 – 31 March 2024 (% p.a.)	5 years 1 April 2019 – 31 March 2024 (per £1,000)
25	26.92	£269.24	9.37	£93.71	11.09	£110.94
45	26.92	£269.24	9.37	£93.71	11.09	£110.94
55	9.47	£94.73	2.49	£24.91	3.65	£36.52
60	6.15	£61.48	-3.44	-£34.44	-0.25	-£2.48

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 2023 – 31 March 2024 (%)	1 year 1 April 2023 – 31 March 2024 (per £1,000)	3 years 1 April 2021 – 31 March 2024 (% p.a.)	3 years 1 April 2021 – 31 March 2024 (per £1,000)	5 years 1 April 2019 – 31 March 2024 (% p.a.)	5 years 1 April 2019 – 31 March 2024 (per £1,000)

BGPS Equity Fund	26.92	£269.24	9.37	£93.71	11.09	£110.94
BGPS Diversified Growth Fund	9.47	£94.73	2.49	£24.91	3.65	£36.52
BGPS Cash Fund	5.06	£50.59	2.37	£23.73	1.57	£15.66

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 2024 (years)	1 year 1 April 2023 – 31 March 2024 (%)	1 year 1 April 2023 – 31 March 2024 (per £1,000)	3 years 1 April 2021 – 31 March 2024 (% p.a.)	3 years 1 April 2021 – 31 March 2024 (per £1,000)	5 years 1 April 2019 – 31 March 2024 (% p.a.)	5 years 1 April 2019 – 31 March 2024 (per £1,000)
25	26.92	£269.24	9.37	£93.71	11.09	£110.94
45	26.92	£269.24	9.37	£93.71	11.09	£110.94
55	9.47	£94.73	2.49	£24.91	3.65	£36.52
60	9.47	£94.73	2.49	£24.91	3.65	£36.52

Source: Legal & General

Other investment options – self-select funds

Over the year to 31 March 2024, net investment performance for the self-select funds ranged from a fall in value of 5.86% (a fall in value of £58.62 per £1,000 invested) for the BGPS Index-Linked Gilts Fund to a rise in value of 32.15% (a rise in value of £321.52 per £1,000 invested) for the BGPS Islamic Equity Fund.

Over the 3 years to 31 March 2024, net investment performance for the self-select funds ranged from a fall in value of 10.02% p.a. (a fall in value of £100.16 p.a. per £1,000 invested) for the BGPS Index-Linked Gilts Fund to a rise in value of 14.75% p.a. (a rise in value of £147.47 p.a. per £1,000 invested) for the BGPS Islamic 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 2023 – 31 December 2023 (%)
Clerical Medical With Profits Fund	4.0%
Phoenix LL Pension Traditional With Profits – V1 Fund	5.9%
Clerical Medical Unitised With-Profit Fund held with Utmost Life	8.0%

Scottish Friendly – With Profits	4.1%

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.

More information

Investment returns for all self-select funds over one-year, three-year and five-year periods to 31 March 2024 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 Company for the Scheme's services are:

Service	By members	By the Company
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.

Performance-based fees

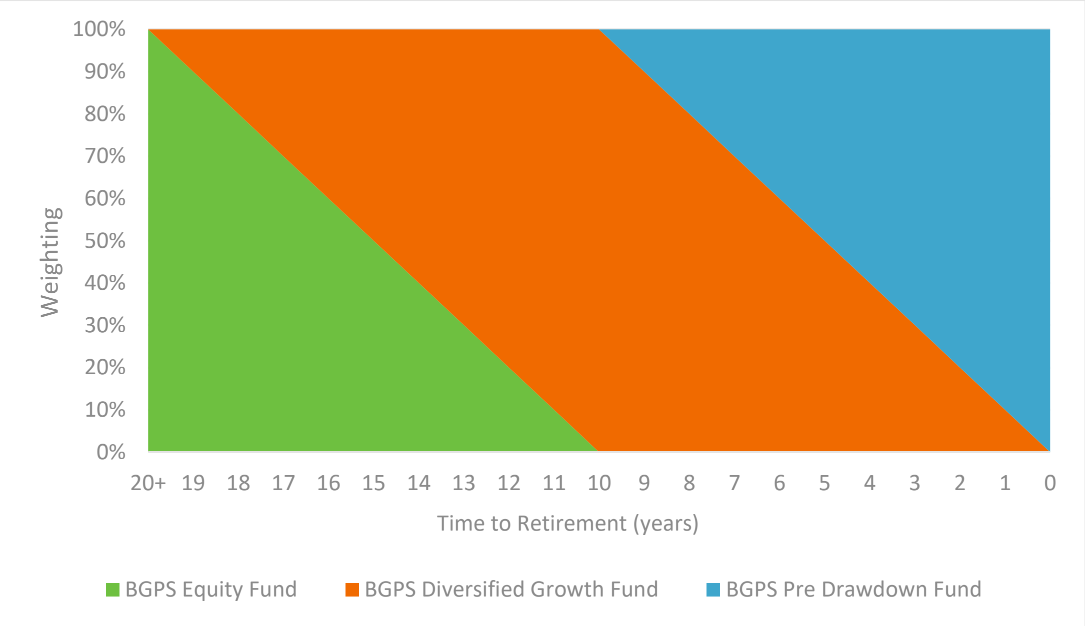
There were no performance-based fees which were deducted from the default arrangement during the Scheme Year.

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 0.13% to 0.51% p.a. of the amount invested or, put another way, in a range from £1.34 to £5.07 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 0.02% to a cost of 0.08% p.a. of the amount invested or, put another way, in a range from a saving of £0.17 to a cost of £0.79 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	0.13%	£1.34	0.08%	£0.79
15 years	0.32%	£3.20	0.03%	£0.31
10 years	0.51%	£5.07	-0.02%	-£0.17
5 years	0.39%	£3.86	0.00%	-£0.02
At retirement	0.27%	£2.66	0.01%	£0.12

Source: Legal & General

The average charge for the default arrangement, the BGPS Drawdown Lifestyle, over a 40 year savings period was 0.24% p.a.

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

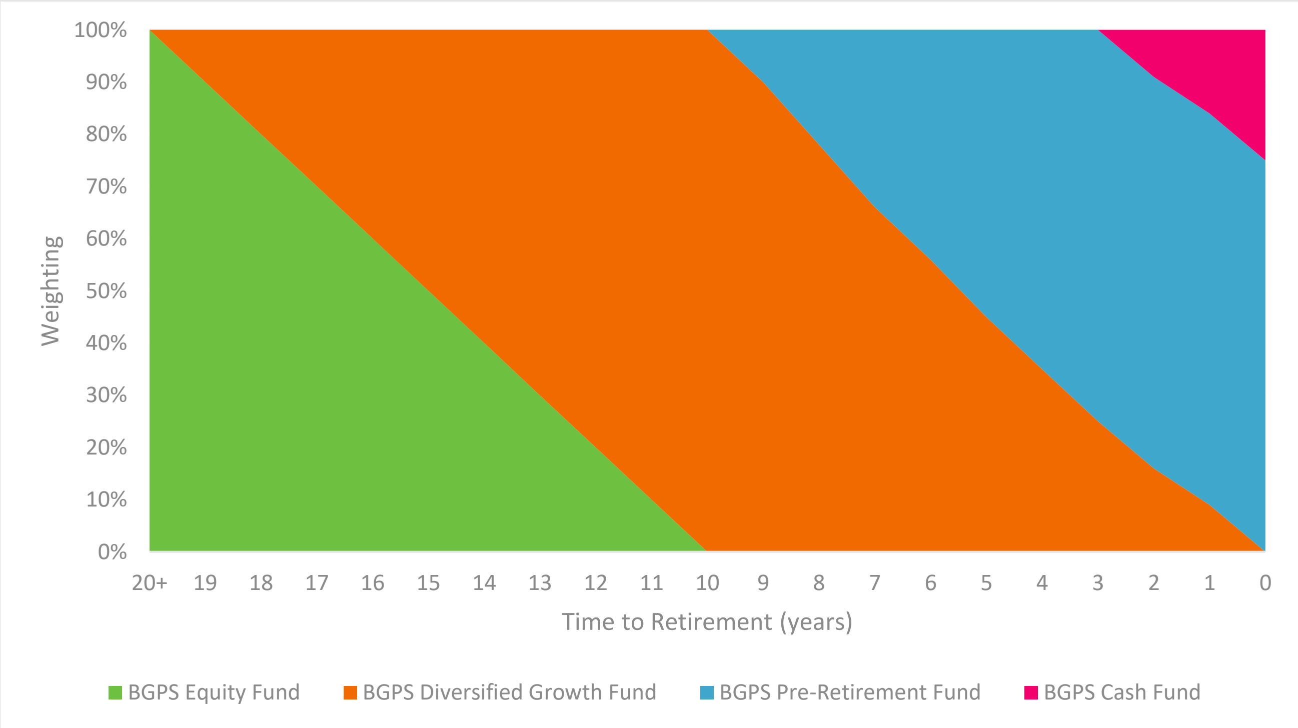
The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the BGPS Drawdown Lifestyle complied with the charge cap during the year covered by this Statement.

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 0.13% to 0.50% p.a. of the amount invested or, put another way, in a range from £1.34 to £5.07 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 0.06% to a cost of 0.08% p.a. of the amount invested or, put another way, in a range from a saving of £0.64 to a cost of £0.79 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	0.13%	£1.34	0.08%	£0.79
15 years	0.32%	£3.20	0.03%	£0.31
10 years	0.51%	£5.07	-0.02%	-£0.17
5 years	0.31%	£3.10	-0.04%	-£0.35
At retirement	0.15%	£1.46	-0.06%	-£0.64

Source: Legal & General

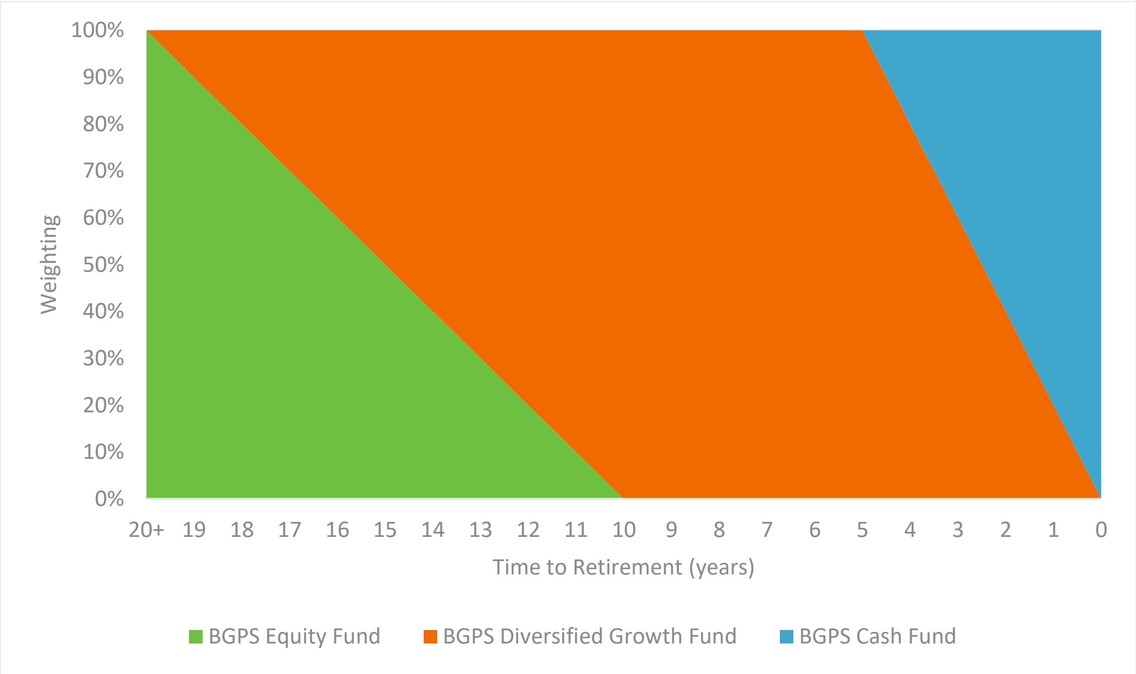
The average charge for the BGPS Annuity Lifestyle over a 40 year savings period was 0.22% p.a.

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 0.13% to 0.50% p.a. of the amount invested or, put another way, in a range from £1.34 to £5.07 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 0.10% to a cost of 0.08% p.a. of the amount invested or, put another way, in a range from a saving of £1.03 to a cost of £0.79 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	0.13%	£1.34	0.08%	£0.79
15 years	0.32%	£3.20	0.03%	£0.31
10 years	0.51%	£5.07	-0.02%	-£0.17
5 years	0.51%	£5.07	-0.02%	-£0.17
At retirement	0.13%	£1.35	-0.10%	-£1.03

Source: Legal & General

The average charge for the BGPS Cash Lifestyle over a 40 year savings period was 0.25% 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 2024 the charges for the self-select funds were in a range from 0.05% to 0.70% of the amount invested or, put another way, in a range from £0.50 to £7.00 per £1,000 invested.

The transaction costs borne by members in the self-select funds during the year to 31 March 2024 were in a range from a saving of 0.10% to a cost of 0.11% of the amount invested or, put another way, in a range from a saving of £1.03 to a cost of £1.13 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 0.25%. 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 January 2023 to 31 December 2023, the level of member borne charges expressed a "Total Expense Ratio" borne by members was 1% and the transaction costs were 0.13%. 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 0.25%.

Scottish Friendly

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

The transaction costs for 2023 are 0.01% and the charges for a typical conventional Scottish Friendly With Profits Fund is 0.2%.

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 10% (3% employee and 7% 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 £131,451 to £124,926.

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 2024

The Scheme provided **Good** Value for Members in the year ended 31 March 2024.

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**	The Scheme's investments are held with the Legal & General Investment Management ("LGIM") investment only platform. The default arrangement was well under the 0.75% p.a. charge cap requirement. In the BGPS Drawdown Lifestyle, charges range from 0.134% p.a. (during the growth phase), 0.507% p.a. (during the consolidation phase) to 0.266% p.a. (at the end of the de-risking phase). The other default lifestyles are the BGPS Annuity Lifestyle and BGPS Cash Lifestyle. In the BGPS Annuity Lifestyle, charges range from 0.134% p.a. (during the growth phase), 0.507% p.a. (during the consolidation phase) to 0.146% p.a. (at the end of the de-risking phase). In the BGPS Cash Lifestyle, charges range from 0.134% p.a. (during the growth phase), 0.507% p.a. (during the consolidation phase) to 0.135% p.a. (at the end of the de-risking phase). The self-select fund charges range from 0.05% p.a. to 0.70% p.a. which the Trustee believes offers good value. In the BGPS Drawdown Lifestyle the transaction costs range from a saving of 0.017% p.a. to a cost of 0.079% p.a. depending on how far from retirement the member is. In the BGPS Annuity Lifestyle and the BGPS Cash Lifestyle the transaction costs range from a saving of 0.103% p.a. to a cost of 0.079% p.a. depending on how far

Service and weighting	Rating	Rationale
		from retirement the member is. The transaction costs for the self-select funds range from a saving of 0.103% p.a. to a cost of 0.113% p.a. The Trustee provides two alternative lifestyle arrangements and 15 funds for the membership to self-select. The self-select range includes both an ESG tilted fund and an Islamic fund, further enhancing value for members. 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 monitored investment performance against benchmarks on a quarterly basis for the default arrangement as well as the other investment options. The Trustee notes that the Scheme year was turbulent for markets due to high inflation and is comfortable that the reasons for the underperformance are not specific to the Scheme. The Trustee also notes that performance has improved over the Scheme year compared to the previous Scheme year and will continue to closely monitor investment performance over the next Scheme year.

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 Company 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 2024.

6 Administration

The Trustee has appointed Buck, a Gallagher company, a specialist third-party provider of pensions administration services, to administer the Scheme on its behalf.

Core financial transactions

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).

Service levels

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, a Gallagher company, aims to complete 90% of its administration work and core financial transactions within these service levels.

The Trustee understands that Buck, a Gallagher company, 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 Company;
- 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 97.1% in Q2 2023, 97.9% in Q3 2023, 91.0% in Q4 2023 and 85.2% in Q1 2024. While the earlier quarters met the pre-set target of 90%, Q1 2024 fell slightly short. Buck, a Gallagher company, confirmed they have employed additional team members which should improve SLAs.
- Receiving reports from the Scheme's Auditor; and
- Considering member feedback including any complaints (of which there were six during the Scheme year).

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

The Trustee has an Administration Sub-Committee in place, which meets four times a year, ahead of Trustee meetings, to address administration matters in greater detail. The 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.

Data quality

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, a Gallagher company, 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 confidentially, 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.

The Trustee undertook a Trustee Training Day on 21 September 2023 and Cyber Security is one of the covered topics.

Overall

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.

Bulk transfers of assets

There were no bulk transfers carried out during the year to 31 March 2024.

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. 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 and understanding

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 Scheme year are set out below.

Current practices

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;
- 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.

Trustee training

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 21 September 2023; this covered topics including Cyber Security and Diversity, Equality and Inclusion.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. The Trustee Directors completed a questionnaire in advance of the training 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.

The Trustee Directors 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 (in addition to the topics covered at the Trustee Training Day):

Date	Topic	Aim/benefit to the Trustee	Trainer
2 May 2023 (Investment Sub-Committee meeting)	Diversified Growth Fund	To equip trustees with in-depth knowledge of investment strategies, performance evaluation, and risk oversight for the BlackRock Diversified Growth Fund.	BlackRock
20 September 2023 (Investment Sub-Committee meeting)	Diversified Growth Fund	To equip trustees with in-depth knowledge of investment strategies, performance evaluation, and risk oversight for the Insight Broad Opportunities Fund.	Insight
29 November 2023 (Investment Sub-Committee meeting)	Diversified Growth Fund	To equip trustees with in-depth knowledge of investment strategies, performance evaluation, and risk oversight for the LGIM Diversified Growth Fund.	LGIM
29 February 2024 (Trustee meeting)	Discretionary benefits	To ensure trustees possess comprehensive knowledge of the decision-making processes associated with discretionary benefits in pension plans.	Pinsent Masons

Governing documentation

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 2023.

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.

Skills, experience and diversity

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.

The Trustee periodically considers the diversity of the board in relation to core characteristics such as gender, age and ethnicity and to the mix of skills, experience and cognitive diversity. The Trustee does not itself have the power to select new Trustee Directors. However, where vacancies on the board arise, the Trustee will liaise with the Company to seek to recruit new trustees who enhance the diversity of the board and its overall effectiveness.

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 at the September 2024 Trustee training day.

Trustee advisers

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, a Gallagher company, in March 2022, and the rest of its advisers in the first quarter of 2018. The Trustee keeps these appointments under ongoing review.

Reviews

The Trustee undertook the following reviews during the last year:

Date	Review of
16 November 2023 (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.
16 November 2023 (DC Sub Committee meeting)	How well the Scheme complied with the DC Code of Practice.
November 2023	The SIP to reflect changes in regulation such as stating our policy on investing in illiquid assets.
Ongoing	Scheme communication materials to ensure consistency between Trustee and Company communications.

Overall

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;
- 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; and
- Reviewed and updated the SIP to reflect changes in regulation such as stating our policy on investing in illiquid assets.

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 a triennial strategy review on the investment funds being offered to members (this was completed after the Scheme year on 20 May 2024);
- Undertake an assessment of how well the Scheme complies against the General Code of Practice;
- Continue to ensure compliance with the General Code and prepare for the first Own Risk Assessment (ORA) which will be due in 2026; 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:
  - Phoenix LL Pension Traditional With Profits – V1 Fund – charges and transaction costs are, however, available for the period 1 January 2023 to 31 December 2023.
- The charges 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 2023

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 Actuary.

The advice received and arrangements implemented are, in the Trustee'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. Process for Choosing Investments

The stewardship of the Scheme's investment arrangements may be divided into three main areas of responsibility. The first (Sections 4.1 and 5.1), deals with the strategic management of the Scheme's assets, which is fundamentally the responsibility of the

Trustee; and is driven by its investment objectives. The Trustee takes decisions in this area having considered the recommendations of its Investment Sub-Committee (“the ISC”).

The second element is the day-to-day management of the assets, which is delegated to professional investment managers as described in Sections 4.2 and 5.3.

The final part is the ongoing measurement and monitoring of the performance of the appointed managers against predetermined benchmarks (Sections. Again, this is the responsibility of the Trustees.

The Trustee regularly review the continuing suitability of the Scheme’s investments, including the appointed managers and the balance between active and passive management, which may be adjusted from time to time.

The ISC provides a framework through which discussions can take place regarding changes to the investment strategy within the DB and DC Sections of the Scheme. The ISC will also consider general issues and new investment opportunities.

The ISC has no delegated authority to make decisions in connection to the Scheme, which remain the sole responsibility of the Trustee.

Details regarding the constitution of the ISC, as well as its role, are set out in the ISC’s Terms of Reference.

4. DB Section

4.1. Investment Objectives and Strategy

4.1.1. 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

4.1.2. 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 %
Matching Portfolio	**82.0**
UK Corporate Bonds	41.0
Liability Driven Investment ("LDI")*	41.0
Growth Portfolio	**18.0**
Diversified Growth Fund	18.0
Total	**100.0**

* consisting of leveraged and unleveraged gilts and index linked gilts, swaps and cash

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 +0.8% 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 2021 Actuarial Valuation) such that the Scheme has an allocation to 15% growth assets by the end of the recovery plan. If at a subsequent 31 March the funding position has improved such that progress is in line with the recovery plan, the Trustee will make the derisking step scheduled for that year as well as the deisking steps that were scheduled for previous years.

The Trustee reviewed the De-Risking Principles as part of the April 2018 actuarial valuation process taking account of expected returns at that date.

Risk Management and Measurement

There are various risks to which the Scheme is exposed. The Trustee's policy on the management of the key investment-related risks is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Scheme's assets and its liabilities. These are mainly the strategic investment risks. The key strategic investment risks inherent in the current investment strategy are as follows:

    - Equity market risk (the risk that equity valuations fluctuate in an uncorrelated way with the value of the liabilities, within the Diversified Growth Funds that the Scheme invests in)

    - 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 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.

- The risk that target levels of liability hedging cannot be maintained as yields increase, due to there being insufficient assets available to meet the collateral calls associated with the Scheme's investments in leveraged LDI funds within the required timescales. The Trustee looks to mitigate this risk through a collateral management framework, whereby the Scheme's LDI manager is able to source cash to meet collateral calls by selling other assets under management, as set out under the Enhanced Service Agreement. This is underpinned by ongoing monitoring of the Scheme's asset allocation and collateral position.

- The risk that the returns of certain assets classes and sectors may be significantly affected by climate change and ESG risks. The Trustee take ESG and climate risk into account in the selection, retention and realisation of the Scheme's investment managers. The Trustee's policies on ESG risks are set out later on this statement and in the Trustee's ESG Policy document.

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.

4.2. 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.

4.2.1. 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 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 %
Matching Portfolio		**82.0**
LGIM	Passive Corporate Bonds	41.0
LGIM	LDI (including Gilts/Swaps/Cash)	41.0
Growth Portfolio		**18.0**
LGIM / Schroders / BlackRock	Diversified Growth Funds	18.0
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.

4.2.2. LGIM (c. 88% of the Scheme's Assets)

LGIM manage a Matching Portfolio and a Diversified Growth Fund on behalf of the Scheme.

Passive Corporate Bond Portfolio

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)

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 Single Stock Bond funds
- LGIM Matching Plus Gilt funds
- LGIM Matching Plus Swap funds
- LGIM Sterling Liquidity Cash fund

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 +0.8%). 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 2021 actuarial valuation, and rolled forward to reflect member movements and financial conditions at 31 March 2023.

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.

LGIM Diversified Fund

LGIM has been appointed by the Scheme to manage a 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 the Bank of England Base Rate + 3.75% per annum (gross of fees).

4.2.3. Schroders (c.6% of the Scheme's Assets)

Schroders has been appointed by the Scheme to manage a DGF. The Fund has a target return objective of ICE BofA Sterling 3-Month Government Bill Index + 4.5% per annum (gross of fees) over five to seven year periods, with a tracking error of two thirds of equity market volatility.

4.2.4. BlackRock (c.6% 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 SONIA +3.0% (net of fees).

5. DC Section

5.1. Investment Objectives and Strategy

5.1.1. 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.

5.1.2. 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.

5.1.3. 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 then switches to a multi-asset fund (which has been designed for the purposes of targeting drawdown) 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.

For members planning to buy an annuity at retirement, the BGPS Annuity Lifestyle switches into bonds and cash during the de-risking phase.

The portfolios and funds used across the three lifestyle strategies are summarised in the following table.

Lifestyle strategy	Components
BGPS Drawdown Lifestyle **(the "Default Option")**	***Growth Phase****: BGPS Equity Fund* ***Consolidation Phase****: BGPS Diversified Growth Fund* ***Pre-Retirement Phase****: BGPS Pre-Drawdown Fund*
BGPS Annuity Lifestyle (a technical Default)	***Growth Phase****: BGPS Equity Fund* ***Consolidation Phase****: BGPS Diversified Growth Fund* ***Pre-Retirement Phase****: BGPS Pre-Retirement Fund, BGPS Cash Fund*
BGPS Cash Lifestyle (a technical Default)	***Growth Phase****: BGPS Equity Fund* ***Consolidation Phase****: BGPS Diversified Growth Fund* ***Pre-Retirement Phase****: BGPS Cash Fund*

**see Appendix A and Appendix B for the lifestyle matrices and details of the funds used.*

5.1.4. 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.

5.1.5. 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	The funds underlying the growth portfolio of the BGPS Cash Lifestyle and BGPS Annuity Lifestyle lifestyles invest in a diversified range of securities which are considered likely to grow in excess of inflation. This risk does not specifically apply to the BGPS Cash Fund. The BGPS Cash Fund objective is to provide protection to members.	Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.
Pension Conversion Risk	The BGPS Cash Lifestyle and BGPS Annuity Lifestyle options have a specific objective to target a different method of taking benefits. The BGPS Cash Fund objective is to provide protection to members and is suitable for a member who is close to retirement and targeting cash at retirement.	The Trustee makes available funds that would be appropriate for different retirement choices at retirement.
Market Risk	The underlying assets for each fund are invested in a diversified range of securities which are considered likely to increase in value over longer time horizons.	Monitors the performance of the funds on a quarterly basis.
Currency Risk	The funds underlying the growth portfolio of the BGPS Cash Lifestyle and BGPS Annuity Lifestyle invest in UK equities and currency-hedged overseas equities. Within the consolidation portfolios, any currency decisions are at the discretion of the DGF managers. This risk does not specifically apply to the BGPS Cash Fund as all holdings are Sterling based.	Monitors the performance of funds on a quarterly basis. Considers the impact of the movements in foreign currencies relative to pound sterling.
Liquidity Risk	Funds all have daily liquidity.	Units may be realised quickly if required from daily dealing funds.
Environmental, Social and Governance Risk	The Trustee's policy on ESG risks is set out in Section 7 of this Statement.	Review of ratings but changes will not be driven by these ratings.

The above items are in relation to what the Trustee considers ‘financially material considerations’. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member’s age and when they expect to retire. The risks and financially material considerations identified by the Trustee in Section 7 of this Statement and the Trustee’s policy in relation to the managers used by Scheme as outlined in Section 8 of this Statement are also applicable to the Additional Default Options.

5.1.6. 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.

5.1.7. 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.

5.1.8. 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.

5.2. 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.*
- *Trustee has an ESG policy setting out, in further detail, the key principles that have been established, and the Trustee's approach to considering sustainability risk and other ESG factors.*

5.3. 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.

5.4. Use of Illiquid Assets in the Default Option

The Trustee considers illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a daily-dealing multi-asset fund. The Scheme's default arrangement includes no direct allocations to illiquid investments.

The default strategy does have indirect exposure to illiquid assets through its investment in the BGPS Diversified Fund, which invests 50% in the LGIM Diversified Fund and the 50% in the Insight Broad Opportunities Fund, which make up part of the glidepath of the default from 20 years to retirement

The Trustee is comfortable indirectly investing in a small proportion of illiquid assets through the BGPS Diversified Fund in order to experience the potential for higher returns and benefits of diversification relative to more traditional asset classes that illiquid assets can offer. The Trustee notes that listed vehicles will exhibit a greater relationship with equity markets

In selecting investments for the default arrangement, the Trustee uses both qualitative and quantitative analysis to consider the expected impact of different strategic allocation mixes. For any future investment, the Trustee will carefully consider whether the investment provides value for members taking account the potential for returns and associated risks from illiquid assets. It is the Trustee's policy to review the allocation of the default investment strategy on at least a triennial basis. Such reviews will include whether the incorporation of illiquid asset investments is appropriate.

6. 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.

7. Advisors and Scheme Governance

7.1. 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.

7.2. 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 2021 by the Scheme Actuary. Ms Sophie Young of Mercer Limited is the appointed Scheme Actuary.

7.3. 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.

7.4. 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.

8. 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 key stewardship themes are:

- **Environment** – reduction in carbon emissions and alignment with the Paris Agreement on climate change;
- **Governance –** diversity, equity and inclusivity.

The Trustee has determined these priorities based on the Trustee Directors' ESG beliefs, taking into account the Principal Employer's strategic priorities on ESG and sustainability matters. The investment managers are aware of the Trustee's policies on stewardship and engagement. The Trustee meets with the appointed investment managers on a regular basis and as part of this the managers are asked to explain how their policies are aligned with the Trustee's priorities.

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.

The ESG Policy contains further details regarding how the Trustee manages ESG risks and opportunities.

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.

9. Manager Arrangements

9.1. 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.

9.2. 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.

9.3. 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.

9.4. 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.

10. 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.

11. 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.

12. 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.

13. 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.

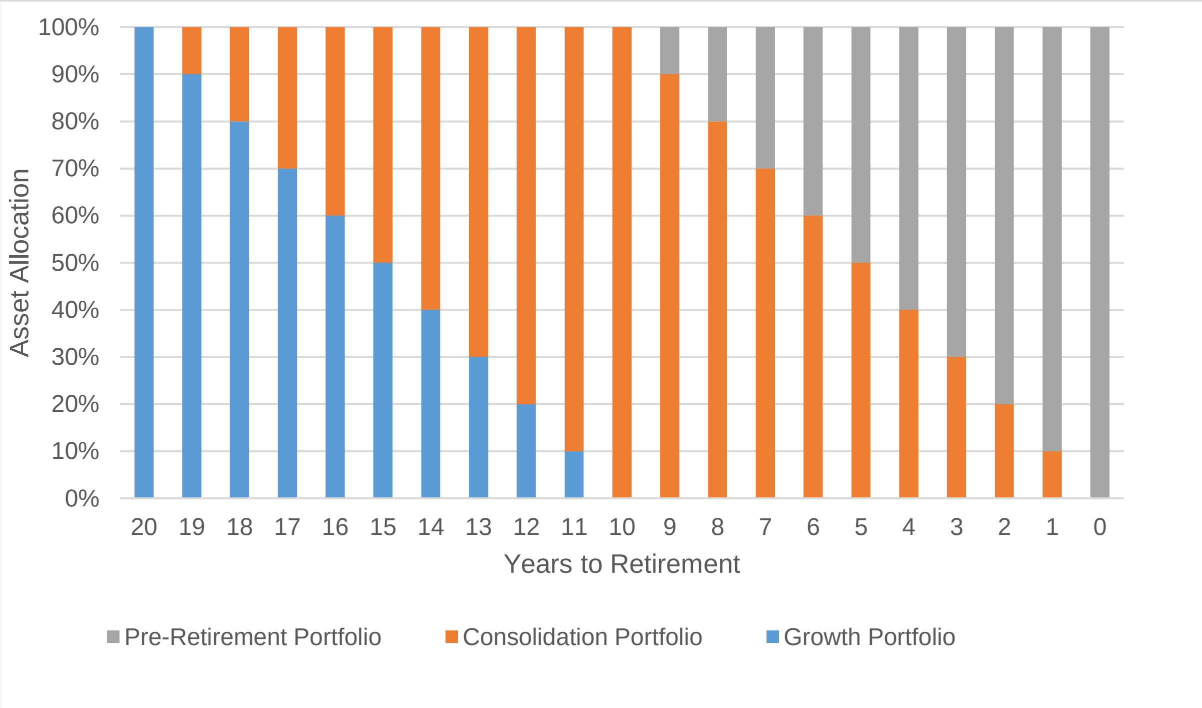
This review will occur no less frequently than every three years to coincide with the Actuarial Valuation and the review of the DC Default arrangements. Any such review will again be based on written, expert investment advice and will be undertaken in consultation with the Company.

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.

Appendix A – Default Option – BGPS Drawdown Lifestyle

The Default Option targets a blend of bonds and cash to represent an income drawdown.

The chart below shows the lifestyling structure in the 20 years prior to retirement.



Years to retirement

The current underlying fund and managers used by the Default Lifestyle are detailed below.

	Fund Name	Current Underlying Fund(s)
Growth Portfolio	BGPS Equity Fund	100% LGIM World Equity Index - GBP Hedged
Consolidation Portfolio	BGPS Diversified Growth Fund	50% LGIM Diversified Growth Fund 50% Insight Broad Opportunities Fund
Pre-Retirement Portfolio	BGPS Pre-Drawdown Fund	60% LGIM Retirement Income Multi Asset 15% LGIM AAA-AA-A Corporate Bond All Stocks – Index 25% LGIM Sterling Liquidity

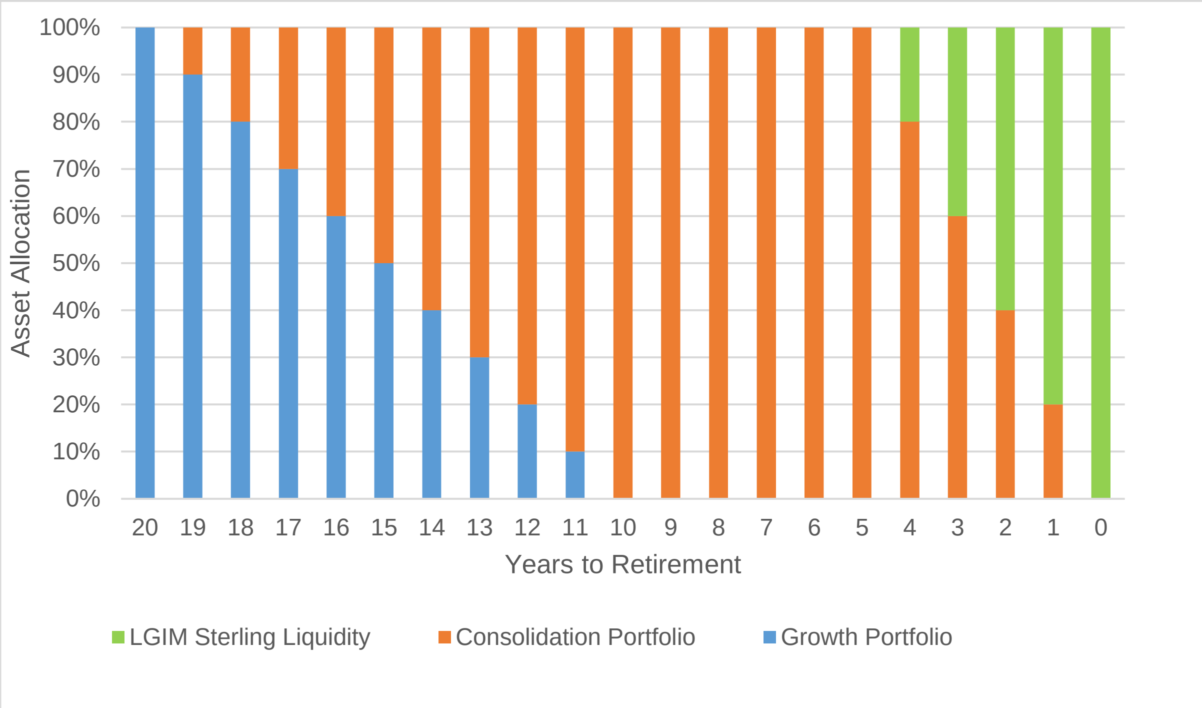
The Trustee has considered risks in relation to the default from a number of perspectives. The Trustee considers how these risks are managed and monitored. The approach taken for the default does not differ from that of the Scheme. The considered risks are in relation to what the Trustee considers 'financially material considerations'. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their Selected Retirement Age. It is partly for this reason that the default investment option is a lifestyle strategy.

Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership will behave at retirement, the Trustee believes that the default strategy outlined in this document is appropriate.

In order to ensure this remains appropriate the Trustee will undertake a review of the default investment option, at least triennially, or after significant changes to the Scheme's demographic, if sooner.

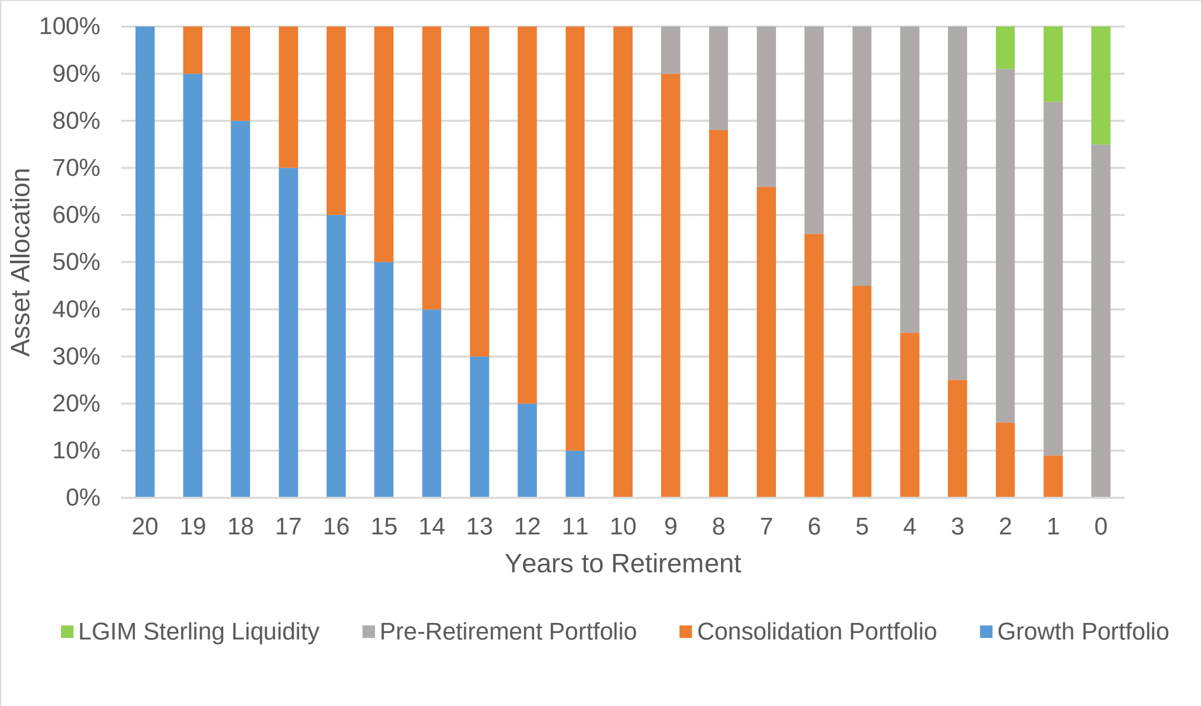
Appendix B – Alternative lifestyle options / Additional Default Option

The BGPS Cash Lifestyle option targets a cash fund on retirement. The lifestyling structure is shown below.



	Fund Name	Current Underlying Fund(s)
Growth Portfolio	BGPS Equity Fund	100% LGIM World Equity Index - GBP Hedged
Consolidation Portfolio	BGPS Diversified Growth Fund	50% LGIM Diversified Growth Fund 50% Insight Broad Opportunities Fund
Pre-Retirement Portfolio	BGPS Cash Fund	100% LGIM Sterling Liquidity

The BGPS Annuity Lifestyle option targets an investment of mainly bonds with some cash at retirement to represent the purchase of an annuity at retirement. The lifestyling structure is shown below.



	Fund Name	Current Underlying Fund(s)
Growth Portfolio	BGPS Equity Fund	100% LGIM World Equity Index - GBP Hedged
Consolidation Portfolio	BGPS Diversified Growth Fund	50% LGIM Diversified Growth Fund 50% Insight Broad Opportunities Fund
Pre-Retirement Portfolio	BGPS Pre-Retirement Fund BGPS Cash Fund	75% LGIM Pre-Retirement Fund 25% LGIM Sterling Liquidity

APPENDIX C - Self-select fund range

Members are offered a choice of self-select investment funds across a range of asset classes and investment styles.

Fund Name	Objective	Benchmark / Comparator	TER (p.a.)
BGPS Sterling Hedged World Equity Fund (*LGIM World ex UK Developed Equity Index – GBP Hedged fund*)	The fund aims to track the performance of the benchmark (less withholding tax where applicable) - GBP Hedged to within +/-0.5% p.a. for two years out of three.	FTSE Developed World (ex UK) Index - GBP Hedged	0.13%
BGPS Global (50:50) Equity Fund (*LGIM Global Equity Fixed Weights (50:50) Index Fund*)	The fund aims to provide diversified exposure to the UK and overseas equity markets.	Composite of 50/50 distribution between UK and overseas	0.11%
BGPS World Equity Fund *(LGIM World (ex UK) Developed Equity Index Fund*)	The fund aims to track the performance of the FTSE Developed World (ex UK) Index (less withholding tax where applicable) to within +/-0.5% p.a. for two years out of three.	FTSE Developed World (ex UK) Index	0.15%
BGPS UK Equity Fund (*LGIM UK Equity Index Fund*)	The fund aims to track the performance of the benchmark (less withholding tax where applicable) to within +/-0.25% p.a. for two years out of three.	FTSE All-Share Index	0.06%
BGPS Emerging Markets Fund (*LGIM World Emerging Markets Equity Index*)	The fund aims to track the performance of the FTSE Emerging Index (less withholding tax where applicable) to within +/-1.5% p.a. for two years out of three.	FTSE Emerging Index	0.30%
BGPS Islamic Equity Fund (*LGIM HSBC Islamic Equity Index*)	The fund aims to create long-term appreciation of capital through investment in a well-diversified portfolio of equities listed worldwide, as defined by the relevant world index, in a manner that is consistent with the principles of the Shariah law.	Dow Jones Islamic Titans 100 Index	0.35%
BGPS Diversified Growth Fund (*blend of 50% LGIM Diversified Growth Fund and 50% Insight Broad Opportunities Fund*)	Composite of underlying funds	Composite of underlying funds	0.50%
BGPS Property Fund (*LGIM PMC Threadneedle Property*)	The fund aims to generate total returns (from income and capital appreciation) and outperform its benchmark, over rolling 3-year	AREF/IPD UK Quarterly Property Fund	0.72%

	periods, after the deduction of charges. It also aims to deliver positive environmental or social outcomes in accordance with the Real Estate Responsible Investment Policy Statement.	Index (weighted average)	
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 SONIA.	SONIA	0.13%

Source: LGIM and investment managers.

Appendix 2

Table of funds and charges

2a Default arrangement – the BGPS Drawdown Lifestyle

The funds' charges (as "Total Expense Ratios") and transaction costs in the last Scheme year used in the BGPS Drawdown Lifestyle default arrangement were:

Fund	ISIN *	Charges **		Underlying Fund ***	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
BGPS Equity Fund	GB00B8ZVK362	0.134%	£1.34	LGIM World Equity Index Fund – GBP Hedged	0.079%	£0.79
BGPS Diversified Growth Fund	GB00B8ZVK818	0.507%	£5.07	LGIM Diversified Fund Insight Broad Opportunities Fund	-0.017%	-£0.17
BGPS Pre Drawdown Fund	GB00B8ZVL220	0.266%	£2.66	LGIM Retirement Income Multi Asset Fund LGIM AAA-AA-A Corporate Bond All Stocks Index LGIM Sterling Liquidity	0.012%	£0.12

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	GB00B8ZVK362	0.134%	£1.34	LGIM World Equity Index Fund – GBP Hedged	0.079%	£0.79
BGPS Diversified Growth Fund	GB00B8ZVK818	0.507%	£5.07	LGIM Diversified Fund Insight Broad Opportunities Fund	-0.017%	-£0.17
BGPS Pre-Retirement Fund	GB00B8ZVL774	0.150%	£1.50	LGIM Pre-Retirement Fund	-0.051%	-£0.51
BGPS Cash Fund	GB00B8ZVLL12	0.135%	£1.35	LGIM Sterling Liquidity	-0.103%	-£1.03

Source: Legal & General

The funds' charges (as "Total Expense Ratios") and transaction costs in the last Scheme year used in the BGPS Cash Lifestyle option were:

Fund	ISIN *	Charges **		Underlying Fund ***	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
BGPS Equity Fund	GB00B8ZVK362	0.134%	£1.34	LGIM World Equity Index Fund – GBP Hedged	0.079%	£0.79
BGPS Diversified Growth Fund	GB00B8ZVK818	0.507%	£5.07	LGIM Diversified Fund Insight Broad Opportunities Fund	-0.017%	-£0.17
BGPS Cash Fund	GB00B8ZVLL12	0.135%	£1.35	LGIM Sterling Liquidity	-0.103%	-£1.03

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	GB00B8ZVLN36	0.132%	£1.32	LGIM UK Equity Index	-0.016%	-£0.16
BGPS World Equity Fund	GB00B8ZVLT97	0.152%	£1.52	LGIM World (ex UK) Developed Equity Index Fund	0.022%	£0.22
BGPS Sterling Hedged World Equity Fund	GB00B8ZVLQ66	0.133%	£1.33	LGIM World (ex UK) Developed Equity Index Fund - GBP Hedged	0.081%	£0.81
BGPS Emerging Markets Fund	GB00B8ZVK925	0.226%	£2.26	LGIM World Emerging Markets Equity Index	0.113%	£1.13
BGPS Global (50:50) Equity Fund	GB00B8ZVLX34	0.149%	£1.49	LGIM Global Equity Fixed Weights (50:50) Index Fund	0.025%	£0.25
BGPS Islamic Equity Fund	GB00B8ZVLG68	0.352%	£3.52	LGIM HSBC Islamic Equity Index	-0.065%	-£0.65
BGPS Diversified Growth Fund	GB00B8ZVK818	0.507%	£5.07	LGIM Diversified Fund Insight Broad Opportunities Fund	-0.017%	-£0.17
BGPS Future World Fund	GB00B8ZVL550	0.204%	£2.04	LGIM Future World Fund	0.090%	£0.90
BGPS Pre-Retirement Fund	GB00B8ZVL774	0.150%	£1.50	LGIM Pre-Retirement Fund	-0.051%	-£0.51
BGPS Retirement Income Fund	GB00B8ZVL998	0.370%	£3.70	LGIM Retirement Income Multi Asset Fund	0.075%	£0.75
BGPS Gilts Fund	GB00B8ZVKL47	0.061%	£0.61	LGIM All Stocks Gilts Index	0.053%	£0.53
BGPS Index-Linked Gilts Fund	GB00B8ZVKJ25	0.050%	£0.50	LGIM All Stocks Index Linked Gilts Fund	0.031%	£0.31
BGPS Corporate Bond Fund	GB00B8ZVLZ57	0.065%	£0.65	LGIM AAA-AA-A Corporate Bond All Stocks Index	-0.058%	-£0.58
BGPS Property Fund	GB00B8ZVKD62	0.700%	£7.00	Threadneedle Property Fund (GBP)	0.093%	£0.93
BGPS Cash Fund	GB00B8ZVLL12	0.135%	£1.35	LGIM Sterling Liquidity	-0.103%	-£1.03

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 Unitised With-Profit Fund held with Utmost Life	N/A	N/A	0.50%	£5.00	0.25%	£2.50
Phoenix LL Pension Traditional With Profits – V1 Fund†	N/A	N/A	1.00%	£10.00	0.13%	£1.27
Scottish Friendly – With Profits	N/A	N/A	0.20%	£2.00	0.09%	£0.92
Clerical Medical With Profits Funds††	N/A	N/A	Not available	Not available	0.25%	£2.50

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

†The Charges and Transaction Costs figures given here are for the reporting period 1 July 2022 to 30 June 2023. 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 £30,000, an annual salary of £37,500 and a total contribution of 9% p.a. (3% employee, 6% employer).

Years to retirement	Before costs and charges £	After costs and charges are taken £
0	131,451	124,926
3	115,591	110,365
5	105,219	100,898
10	80,233	78,164
15	54,742	54,154
20	30,000	30,000

Source: Hymans Robertson

For members initially aged 22 with a starting pot size of £0, an annual salary of £20,000 and a total contribution of 9% p.a. (3% employee, 6% employer).

Years to retirement	Before costs and charges £	After costs and charges are taken £
0	174,004	161,072
3	160,708	149,628
5	151,828	142,090
10	129,812	123,645
15	104,466	101,132
20	76,406	74,622
25	51,929	51,000
30	32,644	32,231
35	17,525	17,392
40	5,746	5,730
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 £30,000, an annual salary of £37,500 and a total contribution of 9% p.a. (3% employee, 6% employer).

Years to retirement	BGPS Annuity Lifestyle Option		BGPS Cash Lifestyle Option	
	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £
0	144,299	137,928	129,191	122,465
3	121,542	116,403	116,237	110,549
5	107,829	103,560	105,699	101,130
10	80,233	78,164	80,233	78,164
15	54,724	54,154	54,724	54,154
20	30,000	30,000	30,000	30,000

Source: Hymans Robertson

For members initially aged 22 with a starting pot size of £0, an annual salary of £20,000 and a total contribution of 9% p.a. (3% employee, 6% employer).

Years to retirement	BGPS Annuity Lifestyle Option		BGPS Cash Lifestyle Option	
	Before costs and charges £	After costs and charges are taken £	Before costs and charges £	After costs and charges are taken £
0	192,027	178,857	171,040	157,868
3	169,328	158,164	161,663	149,903
5	155,711	145,957	152,542	142,427
10	129,812	123,645	129,812	123,645
15	104,466	101,132	104,466	101,132
20	76,406	74,622	76,406	74,622
25	51,929	51,000	51,929	51,000
30	32,644	32,231	32,644	32,231
35	17,525	17,392	17,525	17,392
40	5,746	5,730	5,746	5,730
43	0	0	0	0

Source: Hymans Robertson

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

For members initially aged 45 with a starting pot size of £30,000, an annual salary of £37,500 and a total contribution of 9% p.a. (3% employee, 6% employer).

Years to retirement	BGPS Property Fund (highest charging)		BGPS Index-Linked Gilts Fund (lowest charging)	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
0	124,694	113,122	161,975	159,346
3	107,722	98,945	135,126	133,232
5	96,999	89,849	118,856	117,365
10	72,143	68,306	83,257	82,526
15	49,884	48,389	53,977	53,718
20	30,000	30,000	30,000	30,000

Source: Hymans Robertson

For members initially aged 22 with a starting pot size of £0, an annual salary of £20,000 and a total contribution of 9% p.a. (3% employee, 6% employer).

Years to retirement	BGPS Property Fund (highest charging)		BGPS Index-Linked Gilts Fund (lowest charging)	
	Before costs and charges £	After costs and charges £	Before costs and charges £	After costs and charges £
0	128,338	109,323	201,522	195,757
3	115,094	99,153	174,659	170,050
5	106,705	92,619	158,318	154,372
10	87,187	77,109	122,363	119,752
15	69,607	62,723	92,508	90,859
20	53,802	49,396	67,786	66,809
25	39,623	37,062	47,379	46,853
30	26,930	25,662	30,596	30,355
35	15,596	15,141	16,855	16,775
40	5,504	5,444	5,665	5,655
43	0	0	0	0

Source: Hymans Robertson

Assumptions

The assumptions used in these calculations were:

- The opening DC pot size for members within the Scheme is £30,000, which was the average pot size for members at 31 March 2024.
- A contribution in current day terms of £3,375 p.a., which was the average contribution (9%) using a salary of £37,500. This was the average salary for members as at 31 March 2024.
- The gross investment return for each fund above was:

Fund	Return % p.a.
BGPS Equity Fund	7.00%
BGPS Diversified Growth Fund	4.00%
BGPS Pre Drawdown Fund	3.50%
BGPS Pre-Retirement Fund	6.00%
BGPS Cash Fund	2.00%
BGPS Property Fund	4.00%
BGPS Index-Linked Gilts Fund	6.00%

- 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 five Scheme years;
- 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 2024 net of all costs and charges expressed as an annual percentage were:

Fund	1 year 1 April 2023 – 31 March 2024 (%)	3 years 1 April 2021 – 31 March 2024 (% p.a.)	5 years 1 April 2019 – 31 March 2024 (% p.a.)
BGPS UK Equity Fund	8.44	7.90	5.54
BGPS World Equity Fund	24.54	11.77	13.49
BGPS Sterling Hedged World Equity Fund	28.21	9.44	12.31
BGPS Emerging Markets Fund	5.77	-0.95	3.58
BGPS Global (50:50) Equity Fund	13.90	8.78	8.58
BGPS Islamic Equity Fund	32.15	14.75	15.67
BGPS Diversified Growth Fund	9.47	2.49	3.65
BGPS Future World Fund	16.18	8.98	10.27
BGPS Pre-Retirement Fund	3.43	-8.30	-3.44
BGPS Retirement Income Fund	6.97	2.29	3.74
BGPS Gilts Fund	-0.13	-7.59	-3.86
BGPS Index-Linked Gilts Fund	-5.86	-10.02	-5.46
BGPS Corporate Bond Fund	4.83	-3.73	-0.97
BGPS Cash Fund	5.06	2.37	1.57

BGPS Property Fund	0.56	2.54	0.42

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.