BAXI GROUP PENSION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

Registration Number: 10003248

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TRUSTEE AND ADVISERS

Trustee

Baxi Group and Newmond Pension Trustees Limited

Trustee Directors

BESTrustees Limited
(the independent trustee – represented by Chris Parrott – Chair)
Simon Oliver (until 3 May 2023)
Diane Sutherland
Steve Randall
John McFaull**
Katie Wright*
Claire Carlin

* Member Nominated Director
** Pensioner Director nominated by both the Scheme and related Newmond Pension Scheme

Secretary to the Trustee

Vikki Hall (resigned 14 June 2024)
Richard Brierley (appointed 21 May 2024)

Secretary to the Trustee Directors

Trustee Solutions Limited

Principal Employer

Baxi Group Limited

Participating Employer

Baxi Heating UK Limited

Scheme Actuary

Sophie Young, of Mercer Limited

Independent Auditors

PricewaterhouseCoopers LLP

Covenant Adviser

Grant Thornton UK LLP

Scheme Administrators – Defined Benefit section

Buck, A Gallagher Company (Buck) (resigned 30 November 2023)
Mercer Limited (appointed 1 December - 31 December 2023)
Aptia UK Limited (from 1 January 2024)

Scheme Administrators – Defined Contribution section

Buck, A Gallagher Company (Buck)

Investment Consultant

Mercer Limited

Investment Managers – Defined Benefit Section

BlackRock Investment Management (UK) Limited
Legal & General Assurance (Pensions Management) Limited
Schroder Investment Management Limited

Investment Managers – Defined Contribution Section

Legal & General Assurance (Pensions Management) Limited
Clerical Medical Investment Group Limited

Custodians

Citibank NA (for Legal & General Assurance (Pensions Management) Limited)

Bank of New York Mellon (for Blackrock Investment Management (UK) Limited)

Chase Nominees Limited (for Schroder Investment Management Limited)

AVC Providers

Clerical Medical Investment Group Limited
Legal & General Assurance (Pensions Management) Limited
Phoenix Life
Scottish Friendly Assurance Society
Utmost Life and Pensions Limited

Bankers

Lloyds Bank Plc (Defined Benefit Section – until 19 February 2024)
The Royal Bank of Scotland plc (Defined Benefit Section – from 20 October 2023)

Lloyds Bank Plc (Defined Contribution Section)

Legal Advisers

Pinsent Masons LLP

TRUSTEE'S REPORT

Introduction

The Trustee is pleased to present its report on the Baxi Group Pension Scheme (the "Scheme") for the year ended 31 March 2024.

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

The sole Trustee is Baxi Group and Newmond Pension Trustees Limited (the "Trustee"), appointed by the principal employer.

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

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

Appointment and Removal of Trustee Directors / Management of the Scheme

The Trustee is responsible for the administration and investment policy of the Scheme. The Trustee meets regularly to discuss reports received from the Administrator and the Investment Consultant and Managers. The Administrator and Investment Consultant attend each meeting and Investment Managers attend at least one meeting per year. During the year under review, the Trustee held meetings, including the DC, Investment and Administration sub-committees, on 4 occasions (2023: 15).

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

Trustee fees are shown in note 9 to the financial statements which are payable mostly to BESTrustees Limited, along with a small amount of additional Trustee expenses.

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

Financial Development of the Scheme

The Fund Account on page 22 shows that the net movement in the Scheme's assets for the year was an increase of £17.4m (2023: decrease of £100.0m) that is represented by:

	2024 £m	2023 £m
Net additions / (withdrawals) from dealings with members	**0.7**	(3.5)
Net gains / (losses) on investments	**16.7**	(96.5)
Net increase / (decrease) in the fund	**17.4**	(100.0)

The financial statements on pages 22 to 40 have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995.

TRUSTEE'S REPORT (CONTINUED)

Administration

During the year, Mercer Limited was appointed as administrators of the DB section of the Scheme on 1 December 2023 and the administration of the Scheme was carried out by Mercer Limited until 31 December 2023 and subsequently by Aptia UK Limited. The administration of the DC section continues to be undertaken by Buck.

Enquiries about the Scheme generally or about an individual's entitlement to benefits should be addressed to the Scheme Administrators at the address on page 15.

Actuarial Review

As required by Financial Reporting Standard 102, the financial statements set out on pages 22 to 40 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Scheme, these liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Scheme and the level of contributions payable.

The most recent triennial valuation of the Scheme was carried out as at 31 March 2021 and the formal actuarial certificate required by statute to be included in this Annual Report, which relates to that earlier valuation, from the Scheme Actuary is included on page 41.

The next triennial valuation of the Scheme is due as at 31 March 2024 and is currently in progress.

Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The most recent triennial actuarial valuation of the Scheme was carried out as at 31 March 2021, with an approximate actuarial update undertaken as at 31 March 2022 and 2023. The results can be summarised as follows:

	2021	2022	2023
	£'m	£'m	£'m
Value of assets available to meet technical provisions	£430.7	£427.5	£330.1m
Value of liabilities in respect of technical provisions	£485.1	£466.6	£345.2m
Funding level	89%	92%	96%

The value of the technical provisions is based on Pensionable Service to the date of leaving or the Scheme closure date and assumptions about various factors that will influence the Scheme in the future.

The following significant actuarial assumptions have been used in the calculations using the projected unit credit method:

Discount rate:

Pre-retirement: The discount rate used is a term structure derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cash flows beyond the longest available yields) plus an additional 2.0% per annum to reflect the allowance the Trustee have agreed for additional investment returns.

Post-retirement: The discount rate used is a term structure derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cash flows beyond the longest available yields) plus an additional 0.5% per annum to reflect the allowance the Trustee have agreed for additional investment returns.

TRUSTEE'S REPORT (CONTINUED)

Actuarial Liabilities (continued)

Future Retail Price Inflation: The assumption for the rate of increase in the Retail Price Index (RPI) will be a term structure derived from the difference between the yield on conventional and index-linked UK Government bonds at the date of each future cash flow (extrapolated for cashflows beyond the longest available bonds).

Future Consumer Price Inflation: The assumption for the rate of increase in the Consumer Price Index (CPI) will be derived from the RPI inflation assumption with an appropriate adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. The adjustment will be reviewed at each triennial valuation; at the 31 March 2021 valuation the adjustment was a deduction of 1.0% per annum up to 2030 and no deduction after 2030.

Pension increases: The assumption for the rate of inflationary pension increases will be a term structure derived from price inflation annual forward rates allowing for the maximum and minimum annual increase entitlements. As at 31 March 2021, the Jarrow-Yildirim model is used to derive rates with appropriate caps and collars from forward rates of price inflation.

Mortality: The mortality assumptions will be based on up-to-date information published by the Continuous Mortality Investigation (CMI) and National Statistics, making allowance for future improvements in longevity and the experience of the Scheme. The mortality tables are the S3PA Year of Birth tables ("middle" for females) with improvements based on the CMI 2020 model (smoothing parameter of 7.5 and a w parameter of 0) with a long term improvement rate of 1.5% p.a. The following weightings are applied to the base tables:

a) Male non-pensioners: 108%
b) Female non-pensioners: 101%
c) Male pensioners: 105%
d) Female pensioners: 103%

An additional reserve, calculated as 2% of the liabilities, is also included in the technical provisions.

Recovery Plan

The actuarial valuation at 31 March 2021 revealed a funding shortfall of £54.4m. The Trustee agreed a recovery plan with the Principal Employer to eliminate this shortfall that includes deficit funding contributions of £1,091,819 per month from 1 July 2022, increasing annually in line with RPI, until 31 January 2025.

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

Next actuarial valuation

The next triennial valuation of the Scheme is due as at 31 March 2024 and is currently in progress.

TRUSTEE'S REPORT (CONTINUED)

Contributions

Under the Schedule of Contributions certified by the Scheme Actuary on 27 June 2022 the participating employers are required to pay the following contributions to the Scheme:

- Employer normal contributions in respect of future benefit accrual at a rate of 37.5% of Pensionable Salaries.
- Deficit funding contributions of £1,091,819 per month from 1 July 2022, increasing annually in line with RPI, until 31 January 2025.
- Expenses funding contributions of £100,000 per month, increasing annually in line with RPI, from 1 July 2022.
- The employers are also required to cover the cost of insurance premiums in respect of death in service lump sum benefits and the cost of PPF Levy payments.

In addition to the contributions set out above, the Employer will pay contributions that are contingent on the Scheme's funding position at future dates. No contingent contributions were due as at 31 March 2022 or 2023. The latest assessment date at 31 March 2024 determined that no contingent contributions were due as at that date.

Benefit audit

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

Pension Increases

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

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

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

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

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

In accordance with the Scheme rules pensions in payment were increased in July 2023 as follows:

- The excess over the Guaranteed Minimum Pension (GMP) element of pensions was increased by 5.0% (1 July 2022: 3.0%). This was based on the increase in the Retail Price Index ("RPI") to March 2023 and applied to all pensioners.
- Post 1988 GMP elements were increased by 3.0% (2022: 3.0%).
- Post 1 November 2006 elements were increased by 2.5% (2022: 2.5%).

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

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

TRUSTEE'S REPORT (CONTINUED)

Membership

Details of the membership movements in the year and the number of members of the Scheme as at the year end are given below:

Defined Benefit section	**Active members**	**Deferred pensioners**	**Pensioners**	**Total**
Members at 1 April 2023	87	731	1,966	**2,784**
Adjustments	(4)	(2)	(29)	**(35)**
Retirements	(7)	(45)	52	**-**
Leavers	(6)	6	-	**-**
Transfers out	-	(3)	-	**(3)**
Serious ill-health	-	-	(1)	**(1)**
Deaths	-	-	(44)	**(44)**
New dependant	-	-	16	**16**
Dependant deaths	-	-	(16)	**(16)**
Membership as at 31 March 2024	**70**	**687**	**1,944**	**2,701**

* Adjustments are members whose status has been changed where the change relates to a previous year.

Pensioners include 352 individuals receiving a pension upon the death of their spouse (2023: 349) and 3 child pensioners (2023: 4).

Defined Contribution section	**Active members**	**Deferred pensioners**	**Pensioners**	**Total**
Members at 1 April 2023	1,107	1,665	-	2,772
Adjustments	(3)	3	-	-
New members joining	243	-	-	243
Deferred members	(163)	163	-	-
Transfers out	-	(43)	-	(43)
Retirements	-	(25)	-	(25)
Deaths	-	(1)	-	(1)
Membership as at 31 March 2024	1,184	1,762	-	2,946
Total membership as at 31 March 2024	**1,254**	**2,449**	**1,944**	**5,647**

Investment Strategy / Management of the Investments – DB Section

The DB Section's main investments have been managed during the year under review by BlackRock Investment (UK) Management Limited ("BlackRock"), Schroder Investment Management Limited ("Schroder") and Legal & General Assurance (Pensions Management) Limited ("LGIM"). Members can also pay Additional Voluntary Contributions ("AVCs"). The AVC assets have been managed during the year under review by Clerical Medical, LGIM, Phoenix Life, Scottish Friendly and Utmost Life.

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

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

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

TRUSTEE'S REPORT (CONTINUED)

Investment Strategy / Management of the Investments – DB Section (continued)

The long-term investment strategy as at 31 March 2024 is to hold:

- 82% in investments that share characteristics with the long term liabilities of the DB Section. The strategy includes the use of government and corporate bonds, as well as derivative instruments.
- 18% in return seeking assets comprising of three diversified growth funds.

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

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

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

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

Responsible Investment and Corporate Governance

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

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

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. The Trustee will 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 the future.

The Trustee has carried out an ESG beliefs session which determined their key themes and priorities in relation to ESG and sustainability risks. 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.

TRUSTEE'S REPORT (CONTINUED)

Investment Strategy / Management of the Investments – DB Section (continued)

Responsible Investment and Corporate Governance (continued)

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

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

Investment Manager Appointment, Engagement and Monitoring – DB Section

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

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

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

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

Evaluating Investment Manager Performance

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and 5 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.

Asset Allocation – DB Section

The Trustee invests in pooled investment vehicles. The Trustee has authorised the use of derivatives by the investment manager within the pooled funds for efficient portfolio management, liability hedging and currency hedging purposes. The Trustee has considered the nature, disposition, marketability, security and valuation of the DB Section's investments and considers them to be appropriate relative to the reasons for holding each class of investment.

TRUSTEE'S REPORT (CONTINUED)

Asset Allocation – DB Section (continued)

The following table provides a breakdown of the distribution of assets held by the DB Section (excluding AVCs):

	2024 (£m)	2023 (£m)
Return Seeking Assets		
Pooled Equity Investment Funds	**-**	16.8
Pooled Diversified Growth Funds	**61.0**	77.6
Property*	**-**	-
Matching / Liability Hedging Portfolio		
Pooled Corporate Bonds Fund	**137.6**	114.3
Pooled Liability Driven Investment ("LDI") Portfolio**	**134.5**	120.6
Total Invested Assets	**333.1**	329.3

Source: Investment managers and Mercer.

Bid values shown where applicable.

** Property fund was wound down in May 2023. The Scheme had no exposure as of March 31, 2024.*

*** Includes cash held in the Sterling Liquidity Fund, managed by LGIM.*

Following funding level improvements in 2023, the Trustee's de-risked the investment strategy of the Scheme in November. As part of these changes the allocation to return seeking assets was decreased from 25% to 18% of total assets and the allocation to matching assets was increased from 75% to 82%. The de-risking exercise involved the full redemption of the equity holdings and a reduction in the allocation to diversified growth funds. Since the year end, the Trustee has further amended the allocation to 15% return seeking assets and 85% matching assets.

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

LGIM has discretion over the how the liability hedge within the LDI portfolio is constructed, using a range of eligible pooled funds specified by the Trustee. LGIM will monitor the level of liability hedging at each five-year tenor point, as well as at the total Scheme level, and will rebalance the hedge if the level of liability hedging is not within a ±3% tolerance range of the 100% target (at both the tenor point and total Scheme level). The rebalancing activity is carried out under the Enhanced Service Agreement. LGIM's objective is to maintain a pro-rata hedge relative to the term structure of the Scheme's liabilities, taking into account the liability hedging provided by the Scheme's allocation to the corporate bond holdings.

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

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

Investment Performance – DB Section

The performance of the Scheme's DB assets compared with its benchmark excluding fees for periods to 31 March 2024 are shown in the table below:

	1 Year % per annum	**3 Years % per annum**	**5 Years % per annum**
Scheme	1.4	-6.9	-1.6
Benchmark	1.4	-6.3	-0.9

Performance figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv.
For periods over one year the figures in the table above have been annualised.
Total includes performance of terminated mandates.

TRUSTEE'S REPORT (CONTINUED)

Custodial Arrangements – DB Section

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

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

Manager	Custodian
BlackRock	Bank of New York Mellon
Schroder	Chase Nominees Ltd*
LGIM	Citibank N.A.

** The Scheme's fund holdings with Schroder are held within a Life Company platform and therefore do not have a custodian. The Scheme holds a life policy with the respective managers. Legal title to the assets lies with the managers; therefore the managers retain responsibility to appoint a custodian and as such have appointed the companies listed as custodians of the assets of the Life funds held.*

Employer Related Investments – DB Section

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

The Trustee reviews its allocation to employer-related investments on an on-going basis and is satisfied that, as at 31 March 2024, the DB Section's assets in ERI does not exceed 5% of the market value of the DB Section's assets as no ERI were held as at this date. Consequently, the Trustee is comfortable that the DB Section complies with the legislative requirements. This will continue to be monitored going forward.

Investment Strategy / Management of the Investments – DC Section

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

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

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

The BGPS Equity Fund is a bespoke fund consists of 100% of the LGIM World Equity Index Fund - Hedged.

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

The BGPS Pre-Drawdown Fund is a bespoke blended fund consisting of 60% LGIM Retirement Income Multi Asset Fund, 15% LGIM AAA-AA-A Corporate Bond All Stocks – Index Fund and 25% LGIM Sterling Liquidity Fund.

TRUSTEE'S REPORT (CONTINUED)

Investment Strategy / Management of the Investments – DC Section (continued)

The investment options available to members as at 31 March 2024 are shown below:

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

* Fund is a component of the lifestyle strategies.
** Fund incorporates some active asset allocation management.
*** Fund available as component of the default BGPS Drawdown Lifestyle.

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

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

Investment Charges – DC Section

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

Asset Allocation – DC Section

The Trustee has considered the nature, disposition, marketability, security and valuation of the DC Section's investments and considers them to be appropriate relative to the reasons for holding each class of investment.

The Trustee regards all the investments of the DC Section as readily marketable, further noting that all funds offered are pooled investment vehicles, which are traded daily by the investment managers.

The table on the following page provides a breakdown of the distribution of assets held by the DC Section at the year end (excluding those AVCs held with Clerical Medical Investment Group Limited).

TRUSTEE'S REPORT (CONTINUED)

Asset Allocation – DC Section (continued)

Fund	**31.03.2024** £	**%**	31.03.2023 £	%
BGPS Equity Fund	38,110,839	43.9	31,378,241	43.4
BGPS Sterling Hedged World Equity Fund	566,859	0.6	410,763	0.6
BGPS Global (50:50) Equity Fund	1,774,961	2.0	1,486,614	2.1
BGPS World Equity Fund	2,275,241	2.6	1,597,172	2.2
BGPS UK Equity Fund	1,272,742	1.5	1,098,900	1.5
BGPS Emerging Markets Fund	398,536	0.5	350,975	0.5
BGPS Islamic Equity Fund	189,107	0.2	52,108	0.1
BGPS Diversified Growth Fund	26,355,129	30.4	22,261,039	30.8
BGPS Property Fund	174,748	0.2	221,526	0.3
BGPS Future World Fund	336,669	0.4	224,521	0.3
BGPS Corporate Bond Fund	435,316	0.5	453,749	0.6
BGPS Pre-Drawdown Fund	14,390,236	16.6	11,380,351	15.8
BGPS Index Linked Gilts Fund	56,933	0.1	50,224	0.1
BGPS Gilts Fund	29,910	0.0	21,058	0.0
BGPS Pre-Retirement Fund	130,750	0.1	758,204	1.0
BGPS Retirement Income Fund	85,126	0.1	85,409	0.1
BGPS Cash Fund	224,616	0.3	452,756	0.6
Total	**86,807,718**	**100.0**	**72,283,610**	**100.0**

Investment Performance – DC Section

The table below shows the performance of the funds offered by the DC Section held with LGIM over the year to 31 March 2023 and includes the DB/AVC funds held in LGIM:

	1 year to 31.03.2024		**3 years to 31.03.2024**	
	Fund (%)	**Benchmark (%)**	**Fund (%pa)**	**Benchmark (%pa)**
BGPS Equity Fund	26.9	27.1	9.4	9.4
BGPS Sterling Hedged World Equity Fund	28.2	28.4	9.4	9.6
BGPS Global (50:50) Equity Fund	13.9	14.1	8.8	8.9
BGPS World Equity Fund	24.5	24.7	11.8	12.0
BGPS UK Equity Fund	8.4	8.4	7.9	7.9
BGPS Emerging Markets Fund	5.8	5.9	-1.0	-0.7
BGPS Islamic Equity Fund	32.2	32.5	14.8	15.0
BGPS Diversified Growth Fund*	9.5	15.2	2.5	6.9
BGPS Property Fund	0.6	-0.7	2.5	1.5
BGPS Future World Fund	16.2	16.5	9.0	9.3
BGPS Corporate Bond Fund	4.8	4.8	-3.7	-3.7
BGPS Pre-Drawdown Fund	6.2	7.3	1.5	3.8
BGPS Index Linked Gilts Fund	-5.9	-6.3	-10.0	-10.1
BGPS Gilts Fund	-0.1	-0.1	-7.6	-7.6
BGPS Pre-Retirement Fund	3.4	-2.0	-8.3	-9.4
BGPS Retirement Income Fund	7.0	8.6	2.3	6.1
BGPS Cash Fund	5.1	5.0	2.4	2.5

Source: LGIM. Net of investment management fees.

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

TRUSTEE'S REPORT (CONTINUED)

Implementation Statements (DB and DC)

The Trustee is required to prepare an Implementation Statement setting out certain information concerning how it has applied its SIPs during the year ended 31 March 2024. The information includes matters such as how the Trustee has engaged with investment managers as well as information concerning the exercise of voting rights in relation to investments, where these exist. The Implementation Statements are included in the Appendix which forms an integral part of this Trustee's Report.

Additional Voluntary Contributions ("AVCs")

The Trustee is responsible for the investment of AVCs which secure additional benefits for members who made AVCs to the Scheme. The AVC assets have been managed during the year under review by Clerical Medical Investment Group Limited, Utmost Life & Pension Limited, Phoenix Life, Scottish Friendly Assurance Society and LGIM.

Transfer Values

Cash equivalent sums (unreduced) paid during the Scheme year with respect to transfers of benefits out of the Scheme have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and subsequent legislation. No discretionary benefits were awarded in the transfer values paid.

Statement of trustee's responsibilities

The trustee's responsibilities in respect of the financial statements

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

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

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

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

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

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

The trustee's responsibilities in respect of contributions

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

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

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

TRUSTEE'S REPORT (CONTINUED)

Guaranteed Minimum Pension ("GMP") Equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustee is reviewing, with its advisers, the implication of this ruling on the DB Section of the Scheme in the context of the rules of the Scheme and the value of an estimate of the Scheme's potential liability arising from GMP equalisation in respect of backdated benefits and related interest. A supplemental ruling in November 2020 clarified the position in relation to historic transfers out. This ruling requires the rectification of any shortfall in these transfer values, calculated on the basis of unequalised GMPs. The Trustee is working with the Scheme administrator to finalise GMP and data rectification. Once the effect on individual members' benefits has been calculated and the liability quantified, this will be communicated to the members.

Virgin Media case

In June 2023, the High Court handed down a decision in the Virgin Media Ltd versus NTL Pension Trustees II Ltd, which considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out pension scheme cannot be altered, in relation to post April 1997 service, unless the actuary confirmed that the scheme would continue to satisfy the statutory standards. The High Court found that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment to any contracted-out right automatically void. It also held that references in the legislation included both past and future service rights and that the requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme. This decision was appealed to the Court of Appeal and, in July 2024, the Court of Appeal upheld the decision of the High Court.

The Trustee is monitoring the position and will consider the possible implications, if any, for the Scheme of the above with its advisers and what steps, if any, it wishes to take. Therefore, it is not possible, at present, to estimate the potential impact, if any, on the Scheme.

General Code of Practice

The long-awaited final version of The Pension Regulator's new General Code, which combines a number of existing Codes of Practice into one and provides detailed guidance on what is expected of trustees, how schemes should be managed and what specific actions need to be taken, has finally been published and came into force on 27 March 2024. The Trustee has started the process of reviewing and updating its policies and procedures, adopting a pragmatic and proportional approach, to ensure its practices will be consistent with the new requirements, which the Scheme will have to meet by 30 September 2026.

Going Concern

During the year, the Trustee has received regular updates and evaluated the financial strength of the Employer and does not consider there to be any significant concerns regarding the going concern status of the Scheme. As at 31 March 2024, in the Trustee's view, the Scheme has adequate resources to meet obligations as they fall due for at least the next twelve months from the approval of the financial statements and there are no current plans to wind up the Scheme. Accordingly, the Trustee continues to adopt the going concern basis of accounting in the financial statements.

Internal Dispute Resolution (IDR) Procedure

The Trustee has adopted a dispute resolution procedure, a copy of which can be provided on request to the Scheme Administrators.

Any member with a complaint against the Scheme or a query about their pension entitlement which they consider has not been satisfactorily addressed can use the "Internal Disputes Resolution Procedure" or, alternatively, they can obtain free advice through The Pensions Ombudsman (TPO) who can be reached at 10 South Colonnade, Canary Wharf, E14 4PU.

TRUSTEE'S REPORT (CONTINUED)

Further Information

Members are entitled to inspect copies of documents giving information about the Scheme. In some circumstances copies of documents can be provided, but a charge may be made for copies of the trust documents (Deed and Rules) and of the Scheme Actuary's report.

The Scheme's Trustee can be contacted at the address given below. All queries should be addressed to

The Secretary to the Trustee of the Baxi Group Pension Scheme
c/o Trustee Solutions Limited
Pinsent Masons LLP
30 Crown Place
London
EC2A 4ES

The administration of the DB Section of the Scheme was carried out by Mercer Limited until 31 December 2023.

During the year the Mercer UK Limited pension administration business was acquired by Aptia UK Limited. As a result, Aptia UK Limited is now the pension administration service provider for this section of the Scheme, effective from 1 January 2024.

Any queries about the DB Section, including requests from individuals for information about their benefits, should be addressed to the Trustee of the Baxi Group Pension Scheme at:

Aptia UK Limited
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP

Alternatively, Aptia can be contacted directly at the following address: https://pensionuk.aptia-group.com/.

The administration of the DC Section of the Scheme is carried out by Buck. Members of the DC Section of the Scheme should contact:

Buck
5th Floor
Temple Circus
Temple Way
Bristol
BS1 6HG

Email: baxipensions@buck.com.

TRUSTEE'S REPORT (CONTINUED)

Approval of Trustee's Report

This Trustee's Report on pages 2 to 16, including the Members' Information on page 42 and the Implementation Statements and DC Governance Statement included in the Appendix, was approved by the Trustee and signed on its behalf by:

[redacted] ....
Name:

31 October 2024
....
Date

SUMMARY OF CONTRIBUTIONS

Trustee's Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 March 2024

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and employee contributions payable to the Scheme under the Schedule of Contributions certified by the Scheme Actuary on 27 June 2022.

	DB Section			DC Section		
	Employer	**Employee**	**Total**	**Employer**	**Employee**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Normal contributions	**1,441**	**14**	**1,455**	**4,958**	**8**	**4,966**
Deficit funding contributions	**15,271**	**-**	**15,271**	**-**	**-**	**-**
Expense contributions	**1,399**	**-**	**1,399**	**-**	**-**	**-**
Contributions payable under the Schedule of Contributions as reported on by the Scheme auditors	**18,111**	**14**	**18,125**	**4,958**	**8**	**4,966**
Other contributions						
Additional voluntary contributions	**-**	**90**	**90**	**-**	**562**	**562**
Total contributions as reported in the financial statements	**18,111**	**104**	**18,215**	**4,958**	**570**	**5,528**

The Summary of Contributions was approved by the Trustee and signed on its behalf by:

[redacted]...................
Name:

31 October 2024
....
Date

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

Statement about contributions

Opinion

In our opinion, the contributions payable under the schedule of contributions for the scheme year ended 31 March 2024 as reported in Baxi Group Pension Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the scheme actuary on 27 June 2022.

We have examined Baxi Group Pension Scheme's summary of contributions for the scheme year ended 31 March 2024 which is set out on the previous page.

Basis for opinion

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

Responsibilities for the statement about contributions

Responsibilities of the trustee in respect of contributions

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

Auditors' responsibilities in respect of the statement about contributions

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

Use of this report

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

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date: 31/10/24

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

Report on the audit of the financial statements

Opinion

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

- show a true and fair view of the financial transactions of the scheme during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise: the Statement of Net Assets Available for Benefits as at 31 March 2024; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

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

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the trustee for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

Use of this report

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

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date: 31/10/24

FUND ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024 DB £000	2024 DC £000	2024 Total £000	2023 DB £000	2023 DC £000	2023 Total £000
CONTRIBUTIONS AND BENEFITS							
Employer contributions	4	**18,111**	**4,958**	**23,069**	16,583	4,416	20,999
Employee contributions	4	**104**	**570**	**674**	137	316	453
Total contributions	4	**18,215**	**5,528**	**23,743**	16,720	4,732	21,452
Transfers in	5	**-**	**24**	**24**	-	229	229
Other income	6	**2**	**-**	**2**	3	256	259
		18,217	**5,552**	**23,769**	16,723	5,217	21,940
Benefits paid or payable	7	**(17,513)**	**(1,037)**	**(18,550)**	(17,653)	(1,121)	(18,774)
Transfers out	8	**(461)**	**(2,205)**	**(2,666)**	(2,882)	(2,385)	(5,267)
Administrative expenses	9	**(1,824)**	**-**	**(1,824)**	(1,376)	-	(1,376)
		(19,798)	**(3,242)**	**(23,040)**	(21,911)	(3,506)	(25,417)
Net (withdrawals) / additions from dealings with members		**(1,581)**	**2,310**	**729**	(5,188)	1,711	(3,477)
INVESTMENT RETURNS							
Investment income	10	**39**	**6**	**45**	7	1	8
Change in market value of investments	12	**4,709**	**12,243**	**16,952**	(91,380)	(4,809)	(96,189)
Investment management expenses	11	**(288)**	**-**	**(288)**	(328)	-	(328)
Net returns on investments		**4,460**	**12,249**	**16,709**	(91,701)	(4,808)	(96,509)
Net increase / (decrease) in the fund during the year		**2,879**	**14,559**	**17,438**	(96,889)	(3,097)	(99,986)
Opening net assets available for benefits		**334,299**	**72,762**	**407,061**	431,177	75,870	507,047
Transfers between sections	16	**-**	**-**	**-**	11	(11)	-
Total net assets available for benefits		**337,178**	**87,321**	**424,499**	334,299	72,762	407,061

The notes on pages 24 to 40 form an integral part of these financial statements.

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AT 31 MARCH 2024

	Note	**2024 DB £000**	**2024 DC £000**	**2024 Total £000**	2023 DB £000	2023 DC £000	2023 Total £000
Investment assets	12						
Pooled investment vehicles	12.4	**333,114**	**86,846**	**419,960**	329,276	72,321	401,597
AVC investments	12.5	**2,376**	**-**	**2,376**	2,085	-	2,085
Total net investments		**335,490**	**86,846**	**422,336**	331,361	72,321	403,682
Current assets and liabilities							
Current assets	14	**2,458**	**931**	**3,389**	3,576	554	4,130
Current liabilities	15	**(770)**	**(456)**	**(1,226)**	(638)	(113)	(751)
Net current assets		**1,688**	**475**	**2,163**	2,938	441	3,379
Total net assets available for benefits		**337,178**	**87,321**	**424,499**	334,299	72,762	407,061

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the defined benefit section, is dealt with in the report on actuarial liabilities on pages 3 and 4 of the annual report, and these financial statements should be read in conjunction with this report.

The notes on pages 24 to 40 form an integral part of these financial statements.

These financial statements on pages 22 to 40 were approved by the Trustee and were signed on its behalf by:

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

Name:

31 October 2024
....

Date

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to realise its assets and meet benefit obligations in the normal course of affairs (continue to operate) for at least the next twelve months from the date when the financial statements are authorised for issue.

The financial statements summarise the transactions of the Scheme and deal with the statement of net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is as follows:

DB section – Aptia UK Limited, Maclaren House, Talbot Road, Stretford, Manchester, M32 0FP.

DC section – Buck, 5th Floor, Temple Circus, Temple Way, Bristol , BS1 6HG.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Currency

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

3.2 Contributions

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.3 Payments to members

Pensions in payment, including pensions funded by annuity contracts, are accounted for in the period to which they relate.

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

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

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the Scheme. They are accounted for on an accruals basis on the date the trustees of the receiving scheme accept the liability. In the case of individual transfers, this is normally when the payment of the transfer value is made.

3.4 Expenses

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

3.5 Investment income and expenditure

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

Income arising from annuity policies is included in investment income on an accruals basis.

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

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

3.6 Valuation of investments

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

Where quoted or other unit prices are not available, the Trustee adopts valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumptions are given in the notes to the financial statements where used.

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

- Pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.
- Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before the year end.
- With profits insurance policies (including those held as AVC investments) are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.
- AVC investments are valued at the market value provided by the AVC provider as at the year end date.
- The Scheme holds some historic annuity policies that are in the name of the Trustee but they have not been valued in the financial statements as they are considered to be immaterial.

3.7 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.7 Critical accounting judgements and estimation uncertainty (continued)

For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme's investments and, in particular, those classified in Levels 2 and 3 of the fair-value hierarchy.

4 CONTRIBUTIONS

	2024 DB £000	**2024 DC £000**	**2024 Total £000**	2023 DB £000	2023 DC £000	2023 Total £000
Employer contributions						
Normal	**1,441**	**4,958**	**6,399**	1,610	4,416	6,026
Deficit funding	**15,271**	**-**	**15,271**	13,773	-	13,773
Expenses	**1,399**	**-**	**1,399**	1,200	-	1,200
	18,111	**4,958**	**23,069**	16,583	4,416	20,999
Employee contributions						
Normal	**14**	**8**	**22**	12	9	21
Additional voluntary contributions	**90**	**562**	**652**	125	307	432
	104	**570**	**674**	137	316	453
	18,215	**5,528**	**23,743**	16,720	4,732	21,452

A Schedule of Contributions was certified by the Actuary on 27 June 2022 that required the employers to pay deficit funding contributions of £1,091,819 per month (increasing in line with RPI) until 31 January 2025. In addition, ongoing expenses contributions of £100,000 per month (increasing in line with RPI) are required to be paid to the Scheme. The increases are calculated annually each November based on RPI over the year to the previous August.

In addition, the employer will pay additional contributions that are contingent on the Scheme's funding position as at each 31 March until 31 March 2024. The latest assessment date at 31 March 2024 determined that no contingent contributions were due as at that date.

As required under the Schedule of Contributions the employers meet the cost of insurance premiums in respect of death in service lump sum benefits and the cost of PPF levy payments.

5 TRANSFERS IN

	2024 DB £000	**2024 DC £000**	**2024 Total £000**	2023 DB £000	2023 DC £000	2023 Total £000
Individual transfers from other schemes	**-**	**24**	**24**	-	229	229

6 OTHER INCOME

	2024 DB £000	**2024 DC £000**	**2024 Total £000**	2023 DB £000	2023 DC £000	2023 Total £000
Other income	**2**	**-**	**2**	2	-	2
Recharges for transfer calculations	**-**	**-**	**-**	1	-	1
Claims on term insurance policy	**-**	**-**	**-**	-	256	256
	2	**-**	**2**	3	256	259

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 BENEFITS PAID OR PAYABLE

	2024 DB £000	2024 DC £000	2024 Total £000	2023 DB £000	2023 DC £000	2023 Total £000
Pensions	14,625	-	14,625	14,369	-	14,369
Commutations and lump sum retirement benefits	2,841	162	3,003	2,556	44	2,600
Taxation where lifetime or annual allowance exceeded	-	-	-	32	-	32
Lump sums on death	47	68	115	671	432	1,103
Purchase of annuities on retirement	-	409	409	-	64	64
Uncrystallised lump sum benefits	-	398	398	25	581	606
	17,513	1,037	18,550	17,653	1,121	18,774

8 TRANSFERS OUT

	2024 DB £000	2024 DC £000	2024 Total £000	2023 DB £000	2023 DC £000	2023 Total £000
Individual transfers to other schemes	461	2,205	2,666	2,882	2,385	5,267

9 ADMINISTRATIVE EXPENSES

	2024 DB £000	2024 DC £000	2024 Total £000	2023 DB £000	2023 DC £000	2023 Total £000
Administration and processing	451	-	451	432	-	432
Actuarial fees	747	-	747	629	-	629
Audit fees	57	-	57	47	-	47
Legal and professional fees	480	-	480	230	-	230
Trustee fees	60	-	60	36	-	36
Other fees and expenses	29	-	29	2	-	2
	1,824	-	1,824	1,376	-	1,376

10 INVESTMENT INCOME

	2024 DB £000	2024 DC £000	2024 Total £000	2023 DB £000	2023 DC £000	2023 Total £000
Annuity income	13	-	13	-	-	-
Interest on cash deposits	26	6	32	7	1	8
	39	6	45	7	1	8

11 INVESTMENT MANAGEMENT EXPENSES

	2024 DB £000	2024 DC £000	2024 Total £000	2023 DB £000	2023 DC £000	2023 Total £000
Administration, management and custody	288	-	288	328	-	328

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS

12.1 RECONCILIATION OF INVESTMENTS

Reconciliation of investments held at beginning and end of year:

	Value at 01.04.2023	Purchases at cost	Sales proceeds	Change in market value	Value at 31.03.2024
DB Section	**£000**	**£000**	**£000**	**£000**	**£000**
Pooled investment vehicles	329,276	348,398	(349,035)	4,475	**333,114**
AVC investments	2,085	91	(34)	234	**2,376**
	331,361	**348,489**	**(349,069)**	**4,709**	**335,490**
DC Section					
Pooled investment vehicles	**72,321**	**14,434**	**(12,152)**	**12,243**	**86,846**
Allocated to members	72,321				**86,846**
Not allocated to members	-				**-**
	72,321				**86,846**

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

The purchase and sales movements in the DB section during year reflect the application of the Scheme's investment strategy during the year. DC section pooled investment vehicles at 31 March 2024 include AVCs held with Clerical Medical of £38k (2023: £38k).

Included within the DC purchases and sales above are switches between funds to the value of £8,918k and (£8,918k) respectively.

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

Defined Contribution investment assets are either allocated to members or not allocated to members and therefore available to the Trustee to apply as specified in the Scheme rules as disclosed above.

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

12.2 TRANSACTION COSTS

There were no direct transaction costs incurred by the Scheme during the year (2023: £nil). In addition to any direct transaction costs, indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustee to quantify such indirect transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.3 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Scheme's net assets at 31 March 2024 and 31 March 2023:

	2024 £000	**%**	2023 £000	%
DB Legal & General Fixed Interest Corporate Bonds Over 15 Years Fund	**137,625**	**32.4**	114,332	28.1
DC Legal & General Baxi Equity Fund	**38,111**	**9.0**	31,378	7.7
DB Legal & General 2030 Index-Linked Gilt	**33,931**	**8.0**	9,089	**
DB Legal & General 2035 Index-Linked Gilt	**29,728**	**7.0**	9,543	**
DC Legal & General Baxi Diversified Growth Fund	**26,355**	**6.2**	22,696	5.6
DB Legal & General 2027 Leveraged Index-Linked Gilt	**22,511**	**5.3**	-	-
DB Legal & General Diversified fund	**21,944**	**5.2**	21,590	5.3
DB Schroder Life Diversified Growth Fund	**19,473**	**	28,032	6.9
DB BlackRock Dynamic Diversified Growth Fund	**19,542**	**	27,953	6.9

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

All of the above investments are pooled investment vehicles which have multiple underlying assets, none of which exceeds 5% of the net assets of the Scheme. During the year the DB AVCs previously held in the DC section were transferred to a new policy under the DB Section. As at 31 March 2023, the DC Legal & General Baxi Equity Fund and DC Legal & General Baxi Diversified Growth Fund assets above included DB AVC assets of £27,633 and £434,978 respectively.

12.4 POOLED INVESTMENT VEHICLES

	2024 DB £000	**2024 DC £000**	**2024 Total £000**	2023 DB £000	2023 DC £000	2023 Total £000
By type						
Equities	**-**	**44,588**	**44,588**	16,790	36,375	53,165
Bonds	**137,625**	**560**	**138,185**	114,332	563	114,895
Diversified growth	**60,959**	**41,298**	**102,257**	77,575	34,709	112,284
Liability driven investment	**130,133**	**-**	**130,133**	116,188	-	116,188
Property	**-**	**175**	**175**	-	221	221
Cash	**4,397**	**225**	**4,622**	4,391	453	4,844
	333,114	**86,846**	**419,960**	329,276	72,321	401,597

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

For the pooled DC funds held with Legal & General Assurance, the Scheme is the sole investor. The underlying funds are all Legal & General pooled investment vehicles. The DC bonds funds shown above include £38k (2023: £38k) of funds invested with Clerical Medical.

12.5 AVC INVESTMENTS

The Trustee holds assets which are separately invested from the main fund to secure additional benefits on a money purchase basis for those members of the DB Section who had previously elected to pay Additional Voluntary Contributions. Members participating in this arrangement receive an annual statement made up to 31 March each year, confirming the amounts held to their account and the change in value over the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.5 AVC INVESTMENTS (CONTINUED)

The amount of AVC investments held at the year end are as follows:

	2024	2023
	£000	£000
Unit-Linked investments:		
Legal & General	**2,172**	1,878
	2,172	1,878
With-Profits investments:		
Clerical Medical (Stafflink)	**6**	6
Phoenix Life	**16**	16
Scottish Friendly Assurance	**140**	145
Utmost Life and Pensions	**42**	40
	204	207
	2,376	2,085

A valuation from Scottish Friendly was not received as at 31 March 2024 and so the 2024 valuation above represents the previous year end closing value adjusted for cash movements in the year.

12.6 FAIR VALUE HIERARCHY

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

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

Level 2 Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable for the asset or liability.

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

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

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

	Level 1	Level 2	Level 3	Total 2024
	£000	£000	£000	£000
DB Section				
Pooled investment vehicles	-	333,114	-	333,114
AVC investments	-	2,172	204	2,376
	-	335,286	204	335,490
DC Section				
Pooled investment vehicles	-	86,808	38	86,846

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.6 FAIR VALUE HIERARCHY (CONTINUED)

	Level 1	Level 2	Level 3	Total 2023
	£000	**£000**	**£000**	**£000**
DB Section				
Pooled investment vehicles	-	329,276	-	329,276
AVC investments	-	1,878	207	2,085
	-	331,154	207	331,361
DC Section				
Pooled investment vehicles	-	72,283	38	72,321

12.7 INVESTMENT RISKS

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

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

Market risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

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

DB SECTION

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.7 INVESTMENT RISKS (continued)

DB SECTION (continued)

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

(i) Investment Strategy

The Trustee is responsible for determining the DB Section's investment strategy. The Trustee has set the investment strategy for the DB Section after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the DB Section which should be invested in the principal market sectors, the day-to-day management of the asset portfolio of the DB Section, including the full discretion for stock selection, is the responsibility of the investment managers.

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

The long-term investment strategy as at 31 March 2024 is to hold:

- 82% in investments that share characteristics with the long term liabilities of the DB Section. The strategy includes the use of government and corporate bonds, as well as derivative instruments.
- 18% in return seeking assets comprising of three diversified growth funds.

Since the year end, the Trustee has amended the allocation to 85% matching assets and 15% return seeking assets.

(ii) Market Risk

Credit Risk

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

The DB Section also invests in funds which hold non-investment grade credit rated instruments via the diversified growth funds with a view to adding value and indirect credit risk is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer. The Trustees consider financial instruments or counterparties to be of investment grade if they are rated at BBB– or higher by Standard & Poor's or Fitch or rated at Baa3 or higher by Moody's.

As at 31 March 2024, the pooled LDI portfolio represented 40.4% (2023: 36.7%) of the total investment portfolio, and the pooled corporate bond fund, which is held within the Liability Hedging portfolio, represented 41.3% (2023: 34.7%).

Pooled investment arrangements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.7 INVESTMENT RISKS (continued)

DB SECTION (continued)

Pooled investment arrangements (continued)

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

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

	2024	2023
	£000	£000
Unit linked insurance contracts	**313,572**	301,323
Open ended investment companies	**19,542**	27,953
	333,114	329,276

Values based on bid prices where applicable.

Currency Risk

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

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

As at 31 March 2024, overseas equities represented 0% (2023: 4.1%) and DGFs 18.3% (2023: 23.6%) of the total investment portfolio.

Interest Rate Risk

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

The Liability Hedging portfolio is comprised of the pooled LDI portfolio and the pooled corporate bond fund. The Trustee has set a benchmark for the matching portfolio of 82.0% of the total investment portfolio, with an equal split of 41.0% allocation to both vehicles. As at the 31 March 2024, the LDI portfolio was slightly underweight relative to its benchmark allocation, representing 81.7% (2023: 71.3%) of the total investment assets - the pooled LDI portfolio represented 40.4% (2023: 36.7%) of the total investment portfolio whereas the pooled corporate bond fund represented 41.3% (2023: 34.7%) of the total investment portfolio.

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

Inflation risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.7 INVESTMENT RISKS (continued)

DB SECTION (continued)

Other Price Risk

Indirect other price risk arises principally in relation to the DB Section's return seeking portfolio which includes equities, property and a range of asset classes within the diversified growth funds all invested via pooled vehicles. The Trustee has set target asset allocations of around 25% of assets being held in return seeking investments.

As at 31 March 2024, the return seeking portfolio represented 18.3% (2023: 28.7%) of the total investment portfolio.

Risk summary

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

			Exposed to			
Fund	**2024 £000**	**2023 £000**	**Currency Risk**	**Interest Rate Risk**	**Credit Risk**	**Other Price Risk**
LGIM – UK Equity	-	3,429				✓
LGIM – Global Equity	-	6,537	✓		✓	✓
LGIM – Global Equity (hedged)	-	6,824	✓		✓	✓
BlackRock – DGF	19,542	27,953	✓	✓	✓	✓
Schroders – DGF	19,473	28,032	✓	✓	✓	✓
LGIM – DGF	21,944	21,590	✓	✓	✓	✓
CBRE – Property*	-	-	✓			
LGIM – Corporate Bonds (within LDI portfolio)	137,625	114,332		✓	✓	✓
LGIM – LDI portfolio	130,133	116,188		✓	✓	✓
LGIM – Sterling Liquidity Fund	4,397	4,391		✓	✓	

Source: Investment managers.

Values based on bid prices where applicable.

**Property fund was wound down in May 2023. The Scheme had no exposure as of 31 March 2024.*

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

Other Matters

During 2023 and 2024, geopolitical and economic issues (such as increases in the rates of inflation and interest rates and movements in foreign currencies) have had a significant effect on domestic and global economies, with disruption and volatility in the financial markets. The Trustee, in conjunction with its advisers, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Scheme's investment portfolio, the operational impact on the Scheme and the covenant of the sponsor.

The extent of the impact on the Scheme's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted. Since the year end, the value of the Scheme's investment assets and investment liabilities have been impacted. Whilst the Trustee monitors the overall position, it has not, at this time, quantified the change (being an increase or decrease) in market value of investment assets and investment liabilities as markets remain fluid and unpredictable and therefore such an estimate cannot be made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.7 INVESTMENT RISKS (continued)

DC SECTION

Investment Strategy

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.7 INVESTMENT RISKS (continued)

DC SECTION (continued)

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

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

Credit Risk

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

	2024	2023
	£000	£000
Unit linked insurance contracts	**86,808**	72,283
UK unitised with profits policy	**38**	38
	86,846	72,321

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12.7 INVESTMENT RISKS (continued)

DC SECTION (continued)

Market Risk

			Exposed to			
Fund	**2024 £000**	**2023 £000**	**Currency Risk**	**Interest Rate Risk**	**Credit Risk**	**Other Price Risk**
BGPS Equity Fund*	38,111	31,378	✓			✓
BGPS Sterling Hedged World Equity Fund	567	411	✓			✓
BGPS Global (50:50) Equity Fund	1,775	1,487	✓			✓
BGPS World Equity Fund	2,275	1,597	✓			✓
BGPS UK Equity Index	1,273	1,099				✓
BGPS Emerging Markets Fund	399	351	✓			✓
BGPS Islamic Equity Fund	189	52	✓			✓
BGPS Diversified Growth Fund	26,355	22,261	✓	✓	✓	✓
BGPS Property Fund	175	221		✓	✓	✓
BGPS Future World Fund	337	225	✓			✓
BGPS Corporate Bond Fund	435	454	✓	✓	✓	✓
BGPS Pre-Drawdown Fund**	14,390	11,380	✓	✓	✓	✓
BGPS Index Linked Gilts Fund	57	50		✓	✓	✓
BGPS Gilts Fund	30	21		✓	✓	✓
BGPS Pre-Retirement Fund	131	758	✓	✓	✓	✓
BGPS Retirement Income Fund	85	85	✓	✓	✓	✓
BGPS Cash Fund	225	453		✓	✓	✓

*Fund only available as component of the lifestyle strategies.

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

The Trustee has selected the above funds and has considered the indirect risks in the context of the investment strategy described here and in the Statement of Investment Principles. The table above is purely DC LGIM funds and excludes funds held with Clerical Medical.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 TAX

The Baxi Group Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from income tax and capital gains tax except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

14 CURRENT ASSETS

	2024 DB £000	**2024 DC £000**	**2024 Total £000**	2023 DB £000	2023 DC £000	2023 Total £000
Contributions due:						
Employers	**1,566**	**402**	**1,968**	1,466	360	1,826
Employees including AVCs	**4**	**44**	**48**	6	22	28
Prepaid pensions	**853**	**-**	**853**	829	-	829
Other prepayments	**-**	**3**	**3**	2	-	2
Cash in transit	**-**	**-**	**-**	-	8	8
Cash balances	**35**	**482**	**517**	1,273	164	1,437
	2,458	**931**	**3,389**	3,576	554	4,130

All contributions due to the Scheme at 31 March 2024 and 31 March 2023 were paid in full to the Scheme in accordance with the Schedules of Contributions, and therefore do not count as employer-related investments.

Included in DC cash balances is £101,000 (2023: £68,125) which is not allocated to members. All other DC current assets are allocated to members.

15 CURRENT LIABILITIES

	2024 DB £000	**2024 DC £000**	**2024 Total £000**	2023 DB £000	2023 DC £000	2023 Total £000
Unpaid benefits	**172**	**450**	**622**	161	107	268
Due to employer	**522**	**6**	**528**	316	6	322
Accrued investment management expenses	**73**	**-**	**73**	86	-	86
Tax due to HMRC	**-**	**-**	**-**	69	-	69
Due to Newmond Pension Plan	**-**	**-**	**-**	6	-	6
Other amounts payable	**3**	**-**	**3**	-	-	-
	770	**456**	**1,226**	638	113	751

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

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

16 TRANSFERS BETWEEN SECTIONS

	2024 DB £000	**2024 DC £000**	**2024 Total £000**	2023 DB £000	2023 DC £000	2023 Total £000
Net transfers in the year	**-**	**-**	**-**	11	(11)	-

The net transfers from the Defined Contribution to the Defined Benefit Section comprise the net amount of transactions, including contributions, investment purchases and investment disposals that were effected on behalf of the Defined Benefit Section through the Defined Contribution Section in the prior year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 RELATED PARTY TRANSACTIONS

Key management personnel

There were 5 Trustee Directors (2023: 5) who were active members of the Scheme during the year. 1 Trustee Director (2023: 1) is a retired member of the Scheme and is currently in receipt of a pension.

Trustee fees paid in the year are disclosed in note 9. The Trustee Director – BESTrustees Limited was represented by Chris Parrott, who also received fees in respect of the related Newmond Pension Plan (whose Trustee is Baxi Group and Newmond Pension Trustees Limited, the same as for the Scheme) to the amount of £23,674 (2023: £17,454) in addition to those disclosed in note 9.

At the year end, £9,105 (2023: £9,425) of the fees paid to the Trustee Directors disclosed in note 9 remain outstanding for payment, and these are included within the amounts owing to Baxi Group Limited in note 15. £5,285 (2023: £4,602) of the above fees in relation to the Newmond Pension Plan remain outstanding at the year end.

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

18 CONTINGENT LIABILITIES

Guaranteed Minimum Pension (GMP)

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

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

Virgin Media case

In June 2023, the High Court handed down a decision in the Virgin Media Ltd versus NTL Pension Trustees II Ltd, which considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out pension scheme cannot be altered, in relation to post April 1997 service, unless the actuary confirmed that the scheme would continue to satisfy the statutory standards. The High Court found that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment to any contracted-out right automatically void. It also held that references in the legislation included both past and future service rights and that the requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme. This decision was appealed to the Court of Appeal and, in July 2024, the Court of Appeal upheld the decision of the High Court.

The Trustee is monitoring the position and will consider the possible implications, if any, for the Scheme of the above with its advisers and what steps, if any, it wishes to take. Therefore, it is not possible, at present, to estimate the potential impact, if any, on the Scheme.

Benefit audit

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

In the opinion of the Trustee, the Scheme had no other contingent liabilities at 31 March 2024, other than long term pension liabilities which are not dealt with in these financial statements (2023: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 EMPLOYER RELATED INVESTMENTS

The Trustee reviews its allocation to employer-related investments on an on-going basis and is satisfied that as at 31 March 2024 and 2023, ERI does not exceed 5% of the market value of the Scheme's assets, as no ERI were held as at this date. Consequently, the Trustee is comfortable that the Scheme complies with the legislative requirements.

ACTUARIAL CERTIFICATE

Mercer

Certificate Of Schedule Of Contributions

Name of the Scheme | Baxi Group Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2021 to be met by the end of the period specified in the recovery plan.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 20 June 2022.

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

Signature	[redacted]
Name	Matthew Jones
Date of signing	27 June 2022
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of employer	Mercer Limited
Address	Four Brindleyplace Birmingham B1 2JQ United Kingdom

MEMBERS' INFORMATION

INTRODUCTION

The Scheme is a hybrid scheme that has both defined benefit and defined contribution sections. The DB Section of the Scheme is administered by Aptia UK Limited and the DC Section by Buck, both in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

The registration number in the Register of Occupational and Personal Pension Schemes is 10003248.

Other information

(i) The Trustee is required to provide certain information about the Scheme to the Registrar of Pension Schemes. This has been forwarded to:

The Registrar of Pension Schemes
PO Box 1NN
Newcastle Upon Tyne
NE99 1NN

(ii) The Pensions Ombudsman (TPO) deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes. Members have the right to refer a complaint to TPO free of charge.

Contact with TPO about a complaint needs to be made within three years of when the event(s) being complained about happened – or, if later, within three years of when a member first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

TPO now operates an Early Resolution Service (ERS) in addition to its normal Adjudication Service that aims to provide a quick, informal and streamlined process. Any member that elects to use the ERS does not need to follow the Trustee's Internal Dispute Resolution Procedure (IDRP). However, should any complaint that has gone through the ERS remain unresolved, TPO expects the IDRP to be followed prior to complaint being passed to its Adjudication Service:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

✉ enquiries@pensions-ombudsman.org.uk
☎ 0800 917 4487
💻 www.pensions-ombudsman.org.uk

(iii) The Money & Pensions Service ("MAPS") previously known as the Single Financial Guidance Body is committed to ensuring that people throughout the UK have guidance and access to the information that they need to make effective financial decisions over their lifetime. MAPS brings together three respected providers of financial guidance; Pensions Wise, the Money Advice Service and the Pensions Advisory Service. Further information can be found at https://maps.org.uk.:

Money and Pensions Service ("MAPS")
Holborn Centre, 120 Holborn,
London
EC1N 2TD

(iv) The statutory body that regulates occupational pension schemes is The Pensions Regulator ('TPR'). TPR works with pension scheme trustees, scheme managers and employers to help protect workplace pensions but does not deal with queries about individuals' pension benefits.

(v) The Pension Protection Fund (PPF) was introduced to protect members' interests in certain circumstances, i.e. to provide compensation where an employer has become insolvent and the scheme assets have been reduced due to fraud, theft, or misappropriation. It does not cover losses resulting from adverse investment returns.

The PPF is funded by a levy on occupational pension schemes.

(vi) The Trust Deed and Rules, the Scheme details, and a copy of the Statement of Investment Principles are available for inspection free of charge by contacting the Trustee at the address on page 15. Any information relating to the members' own pension position, including estimates of transfer values, should be requested from the Scheme Administrators at the address on page 15.

APPENDIX A: IMPLEMENTATION STATEMENT

Baxi Group Pension Scheme (‘the Scheme’)

Implementation Statement for the Year Ended 31 March 2024

October 2024

Contents

Section 1: Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year running from 31 March 2023 to 31 March 2024 (the "Scheme Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Scheme Year, which was the SIP dated July 2021 covering the period between March 2023 to November 2023 and the SIP dated November 2023 covering the period between November 2023 to March 2024.

This is a combined statement covering both the Defined Benefit and Defined Contribution sections of the Scheme.

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

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

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

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

Section 2: Statement of Investment Principles

2.1 Investment Objectives of the Scheme

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

DB Section

The objectives for the **DB Section** of the Scheme specified in the SIP are as follows: To optimise returns from investments over the long term which are consistent with the long term assumptions of the Actuary in determining the funding of the Scheme.

- To control the various funding risks to which the Scheme is exposed.
- To achieve fully funded status on a low-risk liability basis.
- To gradually de-risk to a low-risk investment strategy over time.
- To provide a suitable range of investment funds for AVC contributions.

DC Section

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

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

- To provide a suitable range of investment funds for AVC contributions.

2.2 Review of the SIP

During the year to 31 March 2024, the Trustee reviewed and amended the Scheme's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). A revised SIP was signed in November 2023 and the main changes are as follows:

- The DB Section's investment strategy was de-risked in November 2023, reducing the allocation to growth assets from 25% to 18% (which included the full redemption from the equity portfolio) and increasing the matching portfolio allocation from 75% to 82%. The de-risking took place following a review of the funding position at the Scheme year end (31 March 2024), which required the implementation of a reduced allocation to growth assets as described under the current de-risking framework.
- For the DC Section, a new section of the SIP was added to reflect the new regulation that came into effect on 1 October 2023 whereby Trustees must disclose their policy on investing in illiquid assets within the default arrangements. The SIP will undergo further updates later in 2024 to reflect any changes made following the investment strategy review that was undertaken in May 2024.

2.3 Assessment of how the policies in the SIP have been followed for the Scheme Year

The information provided in this section highlights the work undertaken by the Trustee during the year and has driven long term value for beneficiaries where relevant and sets out how this work followed the Trustee's policies in the SIP (dated November 2023), relating to the DB Section and DC Section of the Scheme.

In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme Year.

Investment Mandates

Securing compliance with the legal requirements about choosing investments

Policy

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

DB

How has this policy been met over the Scheme Year?

The Trustee made no changes to its appointed managers over the year to 31 March 2024. However, the Trustee received advice from its Investment Consultant in regard to the de-risking exercise which took place in November 2023.

The table below sets out the DB Section's benchmark asset allocation at the start and end of the year under review.

Asset Class	Target Allocation	
	01.04.2023	31.03.2024
Equities	5.0	-
Diversified Growth	20.0	18.0
Corporate Bonds	37.5	41.0
LDI	37.5	41.0
Total	100.0	100.0

The Scheme's Enhanced Service Agreement with LGIM was also updated following an annual review of the Scheme's Liability Benchmark Portfolio ("LBP"), which was implemented in July 2023.

DC

How has this policy been met over the Scheme Year?

No changes were made during the Scheme year, so no further advice was required. However, in May 2024, a DC triennial investment strategy review was conducted after the Scheme year-end, which proposed making changes to the default strategy. Details will be covered in the 2025 statement.

Realisation of Investments

Policy

The Trustee's policy is that the Scheme's investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments. The Scheme's investment managers have responsibility for generating cash as and when required for benefit outgoings. The policy is detailed in Section 10 (Realisation of Assets) of the SIP, which applies to the DB and DC Sections of the Scheme.

DB	DC
How has this policy been met over the Scheme Year?	**How has this policy been met over the Scheme Year?**
Over the year, the Scheme held a diversified portfolio consisting mostly of readily-realisable assets. This included maintaining sufficient liquid assets to meet both short-term and longer-term cashflow requirements. The diversified growth funds managed by Schroders and BlackRock are daily priced and the remaining invested Scheme assets managed by LGIM are weekly priced. Several disinvestments were made from the DGFs over the Scheme Year to cover cashflow requirements.	Members' investments within the DC Section are traded and priced on a daily basis. No issues have been reported by the Scheme's administrators during the year.

Environmental, Social and Governance ("ESG")

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

Policy

The Scheme's SIP outlines the Trustee's beliefs on ESG factors (including climate change). Further details are included in Section 8 (Policy on Socially Responsible Investment and Corporate Governance) of the SIP, which applies to the DB and DC Sections of the Scheme. The Trustee keeps its policies under regular review.

DB and DC

How has this policy been met over the Scheme Year?

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments. In order to monitor the extent to which ESG factors are integrated into the managers' investment decision making, the Trustee has continued to review the Mercer ESG ratings assigned to the strategies in which the Plan invests as part of regular quarterly performance reporting. Most the Scheme's investment managers remained generally highly rated during the year.

In Q2 2023, the Trustee completed an ESG beliefs survey, which was facilitated by Mercer. Based on the results and the subsequent Trustee discussion, the Trustee has produced a standalone ESG Policy. This contains further details regarding how the Trustee manages ESG risks and opportunities and is available to members on request.

In addition, the Trustee has asked the managers to comment on these areas when they have presented at meetings. The Trustee met with BlackRock in May 2023, Insight in September 2023 and LGIM in November 2023, and discussed how ESG factors are considered as part of the managers investment processes.

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

The Trustee acknowledges that managers in certain asset classes, such as fixed income, may not have a high ESG rating assigned by the investment consultant due to the nature of the asset class.

DB and DC

The Trustee does not require the Scheme's investment managers to take non-financial matters into account in their selection, retention and realisation of investments. invests or the strategy pursued by the manager) and against criteria which include ESG considerations. ESG and the level of integration will differ across asset classes and by investment manager.

The Trustee also undertakes a more in-depth annual ESG monitoring report. This considers how the ESG ratings assigned to the managers by Mercer compare to their peers, alongside further ESG-related research. The report also contains Mercer's Responsible Investment Total Evaluation assessment, which measures how well the Trustee integrates ESG factors into Scheme decision-making. The first such report was considered by the Trustee during the year under review.

As noted earlier in this statement, the Trustee carried out a triennial review of the DC Section's investment arrangements and as part of this review, considered further integration of ESG factors.

Voting and Engagement Disclosures

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

Policy

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the investment managers. Further details are set out in Section 8 (Policy on Socially Responsible Investment and Corporate Governance) of the SIP, which applies to the DB and DC Sections of the Scheme.

In addition, it is the Trustee's policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.

DB and DC

How has this policy been met over the Scheme Year?

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

All of the Scheme's investment managers within the DB Section are currently signatories of the current UK Stewardship Code. All investment managers utilised within the DC Section of the Scheme are also signatories of the current UK Stewardship Code.

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

Section 4 sets out a summary of voting activity and the most significant votes cast on behalf of the Trustee by the Scheme's investment managers with investments in equities.

Monitoring the Investment Managers

Incentivising asset managers to align their investment strategies and decisions with the Trustee's policies

Policy

The Trustee's policy is set out in Section 9.1 (Aligning Manager Appointments with Investment Strategy) of the SIP, which applies to the DB and DC Sections of the Scheme.

DB	DC
How has this policy been met over the Scheme Year?	**How has this policy been met over the Scheme Year?**
As the Trustee invests in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds. However, appropriate funds have been selected to align with the investment strategy.	As the Trustee invests in exclusively pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds. The Trustee continues to view the incentivisation through asset management charges to be at an appropriate level for the relevant mandates. Fee negotiations have taken place in relation to the proposed fund changes.

Evaluation of asset managers' performance and remuneration for asset management services

Policy

The Trustee's policy is set out in Section 9.2 (Evaluating Investment Manager Performance) of the SIP, which applies to the DB and DC Sections of the Scheme.

DB	DC
How has this policy been met over the Scheme Year?	**How has this policy been met over the Scheme Year?**
Over the Scheme Year, the Trustee received quarterly investment performance reports, which includes both quarter and longer-term performance metrics for all of the Scheme's investment mandates at both an asset class and investment manager level.	Over the year to 31 March 2024, the Trustee received quarterly investment performance reports which includes fund performance against their benchmarks over both quarter and longer-term periods. Performance and manager fees were also considered as part of the annual Value for Members' assessment.

Monitoring portfolio turnover costs

Policy

The Trustee's policy is set out in Section 9.3 (Portfolio Turnover Costs) of the SIP, which applies to the DB and DC Sections of the Scheme.

DB	DC
How has this policy been met over the Scheme Year?	**How has this policy been met over the Scheme Year?**
As noted in the SIP, the Trustee does not explicitly monitor portfolio turnover costs with respect to the DB Section of the Scheme. Investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets), and where possible, performance objectives for investment managers were set on a net basis. In this way, managers were incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.	Transaction costs are disclosed in the annual Chair's Statement and Value for Members' Assessment. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager. There were no concerns raised in relation to transaction costs as part of the Value for Member assessment.

The duration of the arrangements with asset managers

Policy

The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Further details of the Trustee's policy are set out in Section 9.4 (Manager Turnover) of the SIP, which applies to the DB and DC Sections of the Scheme.

DB	DC
How has this policy been met over the Scheme Year?	**How has this policy been met over the Scheme Year?**
Details of the change to the strategic asset allocation are set out in the section on 'Strategic Asset Allocation' (page 12). No changes were made to the appointed investment managers during the Scheme Year. The Trustee remains comfortable with the Scheme's appointed investment managers.	All the funds are open-ended. The DC Section's funds have no set end date for the arrangement, however, duration is considered as part of the regular reviews and as part of the ongoing monitoring. No changes in the investment manager arrangements or fund allocation were made during the year.

Strategic Asset Allocation

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

DB Policy

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

- Investment Objectives and Strategy (SIP Section 4.1)
- Day to Day Management of Assets (SIP Section 4.2)

DC Policy

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

- Investment Objectives and Strategy (SIP Section 5.1)
- Day-to-Day Management of the Assets (SIP Section 5.3)

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

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

DB	DC
How has this policy been met over the Scheme Year?	**How has this policy been met over the Scheme Year?**
The Trustee determine an investment strategy which is required to deliver an investment return assumed by the Scheme's Actuary for statutory funding valuation purposes. The Trustee monitors the Scheme's funding position on a quarterly basis.	Over the year, the Trustee received investment performance reports on a quarterly basis from its Investment Consultant which monitors the investment performance of the funds within the lifestyle arrangements and the self-select funds, looking at the funds' performances against their benchmarks over both short and longer-term periods. Investment

DB	DC
In addition, the Trustee assess the funding position of the Scheme as at 31 March each year and if at this assessment date, the funding position is in line or ahead of the Recovery Plan, the Trustee have a set of de-risking principles (agreed with the Sponsoring Employer) to gradually reduce the Scheme's allocation to risk-seeking assets. The Trustee's policy on rebalancing is reviewed on a quarterly basis as part of the cashflow advice. If the growth - matching split is +/- 5% deviates from the benchmark, then the portfolio will undergo a rebalancing exercise to more align the Scheme's investments with the benchmark asset allocation. The SIP currently reflects the Trustee's objective of the Scheme's LDI Portfolio to maintain the level of hedging in inflation and interest rate exposure at 90%.	performance is reviewed by the Investment Sub-Committee and the Trustee at the quarterly meetings. The Trustee was satisfied with the performance of the funds over the Scheme year, which have mostly performed in line with their underlying aims and objectives.

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

DB	DC
Policy The Trustee's recognises a number of risks involved in the investment of the assets of the DB Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP: – Risk Management and Measurement (SIP Section 4.1.2) The Trustee considers both quantitative and qualitative measures for a number of risks on an ongoing basis when deciding investment policies, strategic asset allocation, and the choice of asset classes, funds, and fund managers.	**Policy** The Trustee recognises that there are a number of risks involved in the investment of the assets of the DC Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP: – Risk Management and Measurement (SIP Section 4.2) In determining which investment options to make available the Trustee considers the investment risk associated with DC pension investment. The risk can be defined as the uncertainty over the ultimate amount of savings available on retirement.

DB	DC
How has this policy been met over the Scheme Year?	**How has this policy been met over the Scheme Year?**
The Trustee also received updates from its Investment Consultant on developments concerning the Scheme's DB investment managers as required. None of these updates resulted in any recommended changes to the DB arrangements.	The Trustee considers both quantitative and qualitative factors when making decisions on investment policies, strategic asset allocation, and the selection of fund managers, funds, and asset classes. The Trustee received updates from the Investment Consultant on developments concerning LGIM. None of these updates resulted in any recommended changes to the DC arrangements.

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

Section 3: Engagement Activity by the Scheme's Investment Managers

The following are examples of engagement activity undertaken by the Scheme's investment managers.

DB

BlackRock engages with Shell to discuss their energy transition progress

BlackRock held a meeting with Shell to discuss their energy transition progress and their alignment with the Paris Climate Agreement.

Shell's current disclosure states that the company aims to reduce their scope 1 and 2 greenhouse gas (GHG) emissions by 50% by 2030 compared to 2016 levels on a net basis. By 2022, operational emissions had been reduced by 30%. Shell also acquired Spring Energy,[7] one of India's leading renewable power platforms, and has agreed to acquire Nature Energy, the largest producer of renewable natural gas in Europe, representing an investment of around $3.5 billion in new businesses to support their objective.

Overall, BlackRock believe that Shell has and continues to provide a clear assessment of their plans to manage climate-related risks and opportunities and has demonstrated continued delivery against their Energy Transition Strategy. In their view, Shell's reporting and approach are aligned with our clients' long-term financial interests.

Schroders engages with ASML to discuss their climate change activities

Schroders held a meeting with regards to ASML's climate change activities. Schroders encouraged the company to publish a detailed transition plan explaining how the company will transition its business and meet its targets.

Schroders learnt ASML aims to achieve net zero for Scope 1, 2, and parts of Scope 3 emissions by 2025, primarily through energy reduction and renewable energy use. Challenges remain in Asian markets, but progress has been made in Taiwan. ASML is also addressing Scope 3 emissions in its supply chain, with increasing supplier commitments to sustainability. Product energy efficiency has improved significantly, with further reductions planned. Collaboration with customers like TSMC on renewable energy adoption and with SEMI on industry-wide sustainability efforts is ongoing. While costs are hard to quantify, they are part of ASML's substantial R&D investments. ESG metrics are now linked to 20% of executive long-term incentives.

Overall, Schroders were satisfied that ASML had made considerable progress on its climate goals, with more work to be done in certain areas. They will continue to monitor ASML's progress.

DB and DC

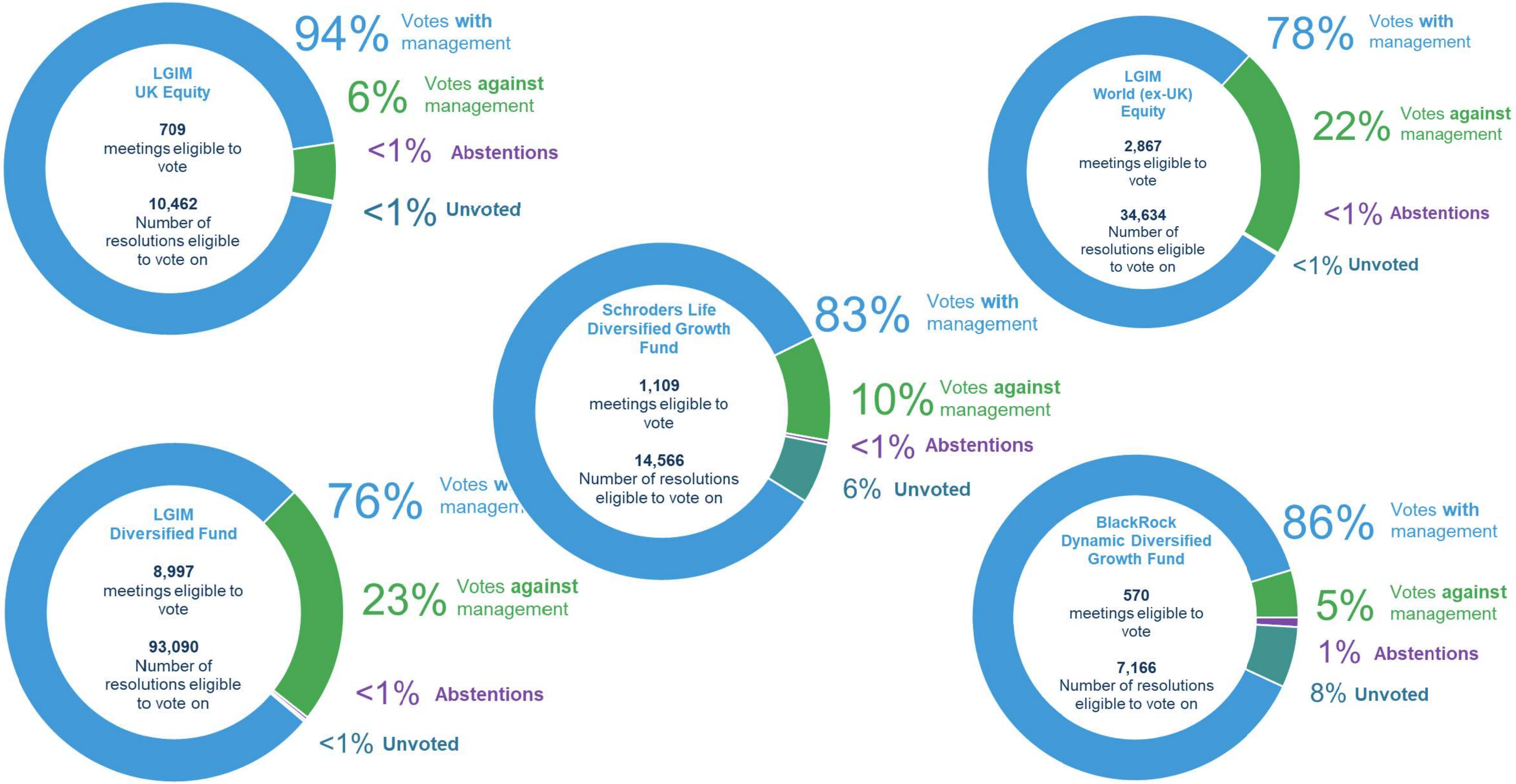
LGIM Engages with APA

In 2022, APA, Australia's largest energy infrastructure business, was engaged by LGIM through their Climate Impact Pledge campaign. LGIM found APA to be lagging in climate-related lobbying activities. They expect credible transition plans aligned with the Paris Agreement's goal of limiting global temperature increase to 1.5°C. In early 2024, APA confirmed that they will include Scope 3 goals in the 2025 refresh of their Climate Transition Plan and outlined their proposed pathway for reducing Scope 3 emissions. The company attributed their commitment to feedback from investors, including the organization, who voted against their proposed plan in 2022. The organization's engagement strategy and voting policy aim to encourage decarbonization. They will continue engaging with APA on their journey to net-zero emissions.

Section 4: Voting Activity during the Scheme year

DB

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



Most significant votes

A "Significant Vote" is defined, by the Trustee as one that relates to the Trustee's following key stewardship priorities:

- Environment - Climate Change
- Governance – diversity, equity and inclusivity (e.g. board diversity)

The Trustee considers a vote to be most significant if the company holding represents the top 4 of the relevant fund assets (where data is available) at the time of voting. The table below shows available voting information of companies in relation to the Trustee's key priority areas.

✗ Resolution not passed ✓ Resolution passed

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Is the manager's vote in line with trustee priority
LGIM UK Equity Fund	6.96%	Shell Plc	23 May 2023	Approve the Shell Energy Transition Progress	The Manager voted **against** the resolution	LGIM remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.	✓	Environment	✗
	2.41%	Glencore Plc	26 May 2023	Resolution in Respect of the Next Climate Action Transition Plan	The Manager voted **for** the resolution	LGIM co-filled this shareholder proposal calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives.	✗	Environment	✓
LGIM UK Equity Fund	1.17%	Experian Plc	19 Jul 2023	Re-elect Mike Rogers as Director	The Manager voted **against** the resolution	LGIM voted against due to the lack of gender diversity at executive officer level. LGIM expects executives officers to include at least 1 female.	✓	Governance	✓

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Is the manager's vote in line with trustee priority
	1.09%	Flutter Entertainment Plc	27 Apr 2023	Re-elect Gary McGann as Director	The Manager voted **against** the resolution	LGIM voted against due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least 1 female.	✓	Governance	✓
LGIM World (ex UK) Equity	4.38%	Apple Inc	28 Feb 2023	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	The Manager voted **against** the resolution	LGIM believes the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and nondiscrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.	✗	Governance	✗
LGIM World (ex UK) Equity	1.71%	Amazon.com Inc	24 May 2023	Report on Median and Adjusted Gender/Racial Pay Gaps	The Manager voted **for** the resolution	LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives.	✗	Governance	✓
LGIM World (ex UK) Equity	1.63%	NVIDIA Corporation	22 Jun 2023	Elect Director Stephen C. Neal	The Manager voted **against** the resolution	LGIM expects a company to have at least one-third women on the board.	✓	Governance	✓

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Is the manager's vote in line with trustee priority
LGIM World (ex UK) Equity	0.74%	JPMorgan Chase & Co	16 May 2023	Report on Asset Retirement Obligations Under IEA Net Zero Emissions Scenario	The Manager voted **for** the resolution	LGIM generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets.	✗	Environment	✓
LGIM Diversified Fund	0.42%	Prologis Inc	4 May 2023	Elect Director Jeffrey L. Skelton	The Manager voted **against** the resolution	LGIM expects a company to have at least one-third women on the board.	✓	Governance	✓
	0.39%	Apple Inc	28 Feb 2023	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	The Manager voted **against** the resolution	LGIM believes the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and nondiscrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.	✗	Governance	✗
	0.22%	American Tower Corporation	24 May 2023	Elect Director Robert D. Hormats	The Manager voted **against** the resolution	LGIM voted against due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least 1 female.	✓	Governance	✓

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Is the manager's vote in line with trustee priority
	0.21%	Toyota Motor Corp.	14 Jun 2023	Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	The Manager voted **for** the resolution	LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment.	✗	Environment	✓
Schroders Diversified Growth	0.70%	Alphabet Inc	2 Jun 2023	Report on Framework to Assess Company Lobbying Alignment with Climate Goals	The Manager voted **for** the resolution	Schroders believe shareholders would benefit from additional disclosure on how the company's lobbying activities align to its climate goals and how it addresses any misalignment with its trade associations and other indirect lobbying activities.	✗	Environment	✓
	0.40%	Amazon.com Inc	24 May 2023	Report on Efforts to Reduce Plastic Use	The Manager voted **for** the resolution	Schroders believe that the Company should be making meaningful steps towards eliminating use of plastic within the Company and its operations. More disclosure would enable shareholders to have a more comprehensive understanding of progress. We believe how we have voted is in the best financial interests of our clients' investments.	✗	Environment	✓

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Is the manager's vote in line with trustee priority
	0.16%	JPMorgan Chase & Co.	16 May 2023	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	The Manager voted **for** the resolution	The company is asked to produce a report disclosing how it intends to align its financing activities with its 2030 sectoral GHG emission reduction targets. Schroders welcome additional disclosures that help better understand how the company is implementing its climate strategy. Schroders believe that how they have voted is in the best financial interest of our clients' investments.	✗	Environment	✓
	0.05%	Oracle Corporation	15 Nov 2023	Report on Median and Adjusted Gender/Racial Pay Gaps	The Manager voted **for** the resolution	Shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives, and how it is positioning itself to realise the benefits of a diverse workforce. Schroders believe that how they have voted is in the best financial interest of our clients' investments.	✗	Governance	✓
BlackRock Diversified Growth	0.82%	Broadcomm	03 Apr 2023	Advisory Vote to Ratify Named Executive Officers' Compensation	The Manager voted **against** the resolution	BlackRock believe the CEO's pay is not aligned with performance and peers.	✗	Governance	✓

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Is the manager's vote in line with trustee priority
	0.67%	Santos Limited	06 Apr 2023	Approve the Amendments to the Company's Constitution	The Manager voted **against** the resolution	BlackRock is of the opinion that shareholder proposals are best facilitated through regulatory changes.	✗	Governance	✓
	0.40%	Amazon.com, Inc	24 May 2023	Report on Efforts to Reduce Plastic Use	The Manager voted **against** the resolution	BlackRock believes the company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.	✗	Environment	✗
	0.18%	Shell Plc	21 May 2024	Approve Shell Energy Transition Strategy	The Manager voted **for** the resolution	BlackRock supported this management proposal because, in its view, Shell has provided and continues to provide a clear assessment of its plans to manage material climate-related risks and opportunities and continues to demonstrate progress against its Energy Transition Strategy.	✓	Environment	✓

Source: Investment managers. "N/A" indicates outcome not available.

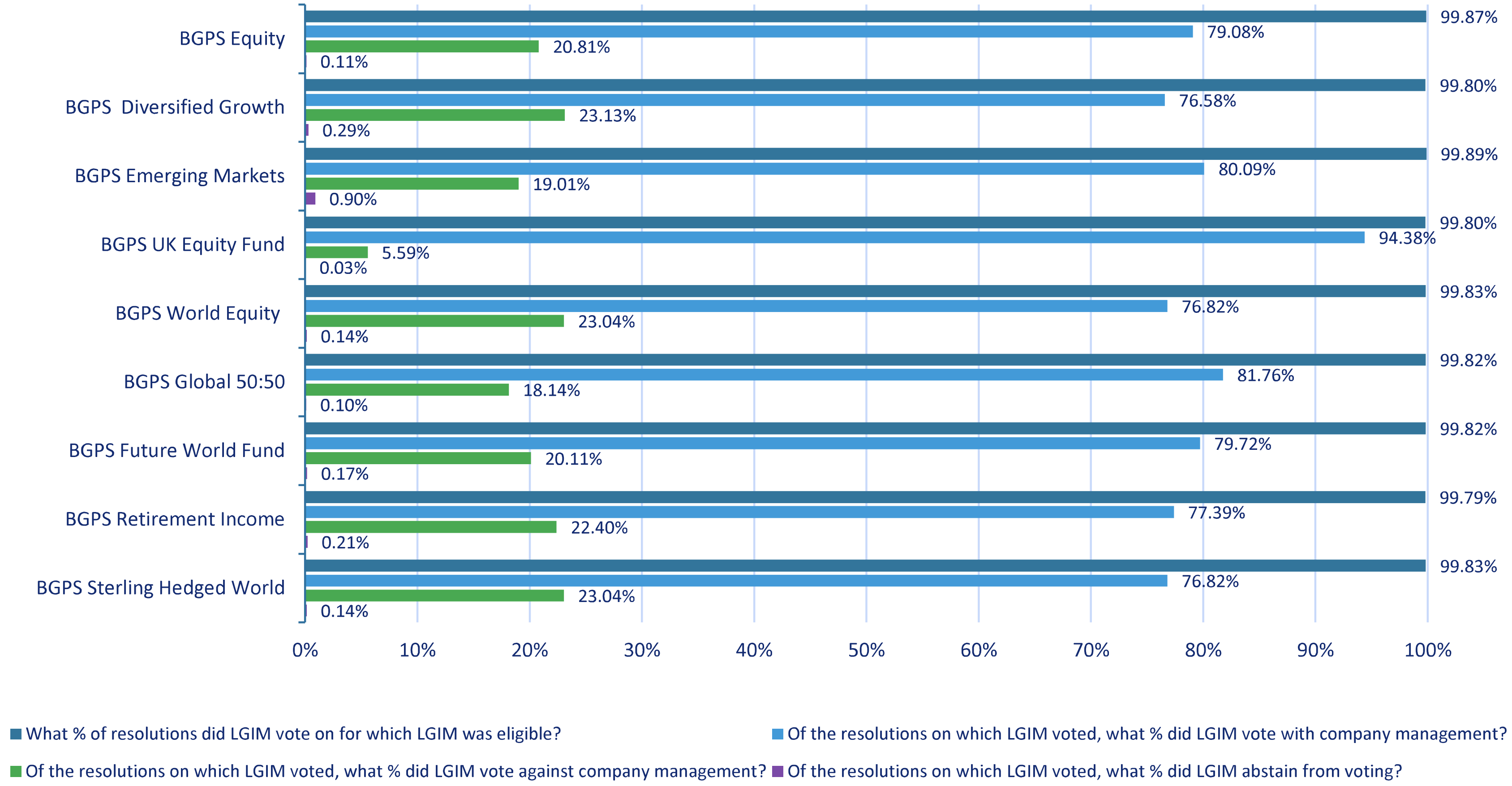
LGIM used a third party corporate governance data provider, Institutional Shareholder Services ("ISS"), to receive meetings notifications, provide company research and process its votes.

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

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

DC

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



Source: LGIM

Most significant votes

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

✗ Resolution not passed ✓ Resolution passed

Fund	Portion of the fund (%)*	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Is the manager's vote in line with trustee priority
BGPS UK Equity Fund	The votes relating to this fund which meets the Trustee's definition of 'most significant votes' can be found in the DB Section.								
BGPS World (Ex-UK) Equity Fund	The votes relating to this fund which meets the Trustee's definition of 'most significant votes' can be found in the DB Section.								
BGPS Diversified Growth Fund**	The votes relating to the LGIM Diversified Fund which is a 50% allocation of the BGPS Diversified Growth Fund and meets the Trustee's definition of 'most significant votes' can be found in the DB Section.								
LGIM Retirement Income Multi-Asset Fund	0.33%	Prologis Inc	4 May 2023	Elect Director Jeffrey L. Skelton	The Manager voted **against** the resolution	LGIM expects a company to have at least one-third women on the board.	✓	Governance	✓

Fund	Portion of the fund (%)*	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Is the manager's vote in line with trustee priority
	0.24%	Apple Inc.	28 Feb 2024	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	The Manager voted **against** the resolution	The company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and nondiscrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.	✗	Governance	✓
	0.18%	Toyota Motor Corp.	14 Jun 2023	Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	The Manager voted **for** the resolution	LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy and believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment.	✗	Environment	✓
	0.16%	Shell Plc	23 May 2023	Approve the Shell Energy Transition Progress	The Manager voted **against** the resolution	LGIM voted against the resolution, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.	✓	Environment	✓

Source: LGIM.
*No company had a holding over 1% in the fund.
**The BGPS Diversified Growth Fund has a 50% allocation to the Insight Broad Opportunities Fund. The strategy invests in listed closed-end investment companies with a focus on cash-generative investments in social infrastructure, renewable energy and asset-backed aviation finance. The corporate structure of closed-end investment companies held in the strategy includes an independent board which is responsible for providing an overall oversight function on behalf of all shareholders. This governance framework includes a range of aspects including setting out investment objectives, and on an ongoing basis ensuring that the underlying strategy and portfolio activities within it remain within the agreed framework. This governance framework, that is with an independent board acting on behalf of shareholders, generally limits contentious issues that can arise with other listed entities. As a result, significant votes cast that may be comparable to other listed entities are not applicable to the strategy's exposures.

Proxy Voting Policies

"LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to our voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action."

APPENDIX B: ANNUAL DC GOVERNANCE STATEMENT

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 ended 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 £87.3 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.

[redacted] Date: 31 October 2024

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 2,772 to 2,946 while the total value of members' pension pots increased from £72.8 million to £87.3 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

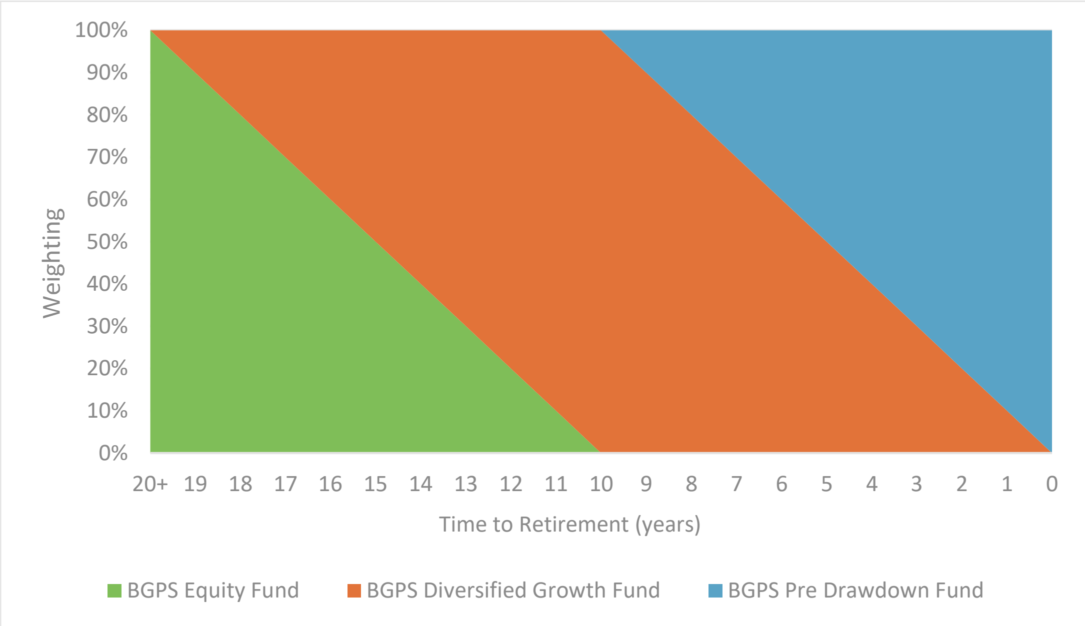
There were no performance-based fees which were deducted from the default arrangement during the Scheme Year.

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.

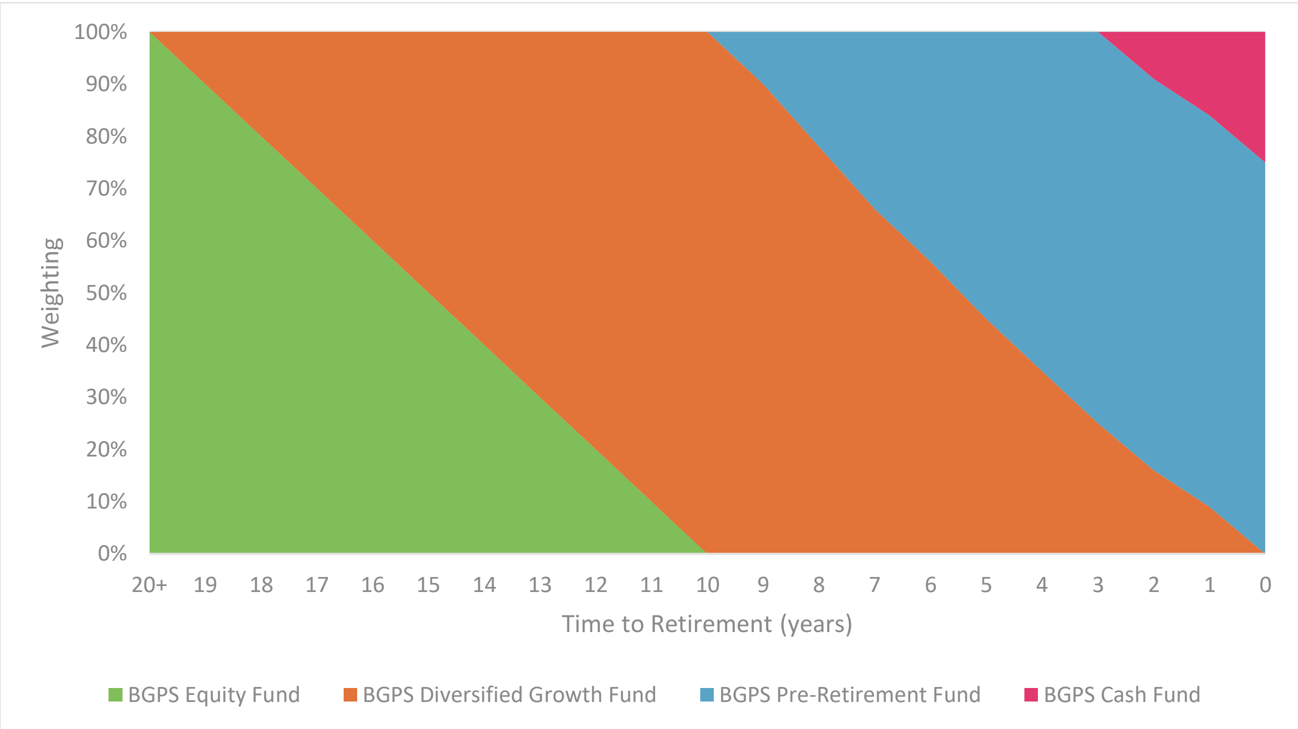
The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the BGPS Drawdown Lifestyle complied with the charge cap during the year covered by this Statement.

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

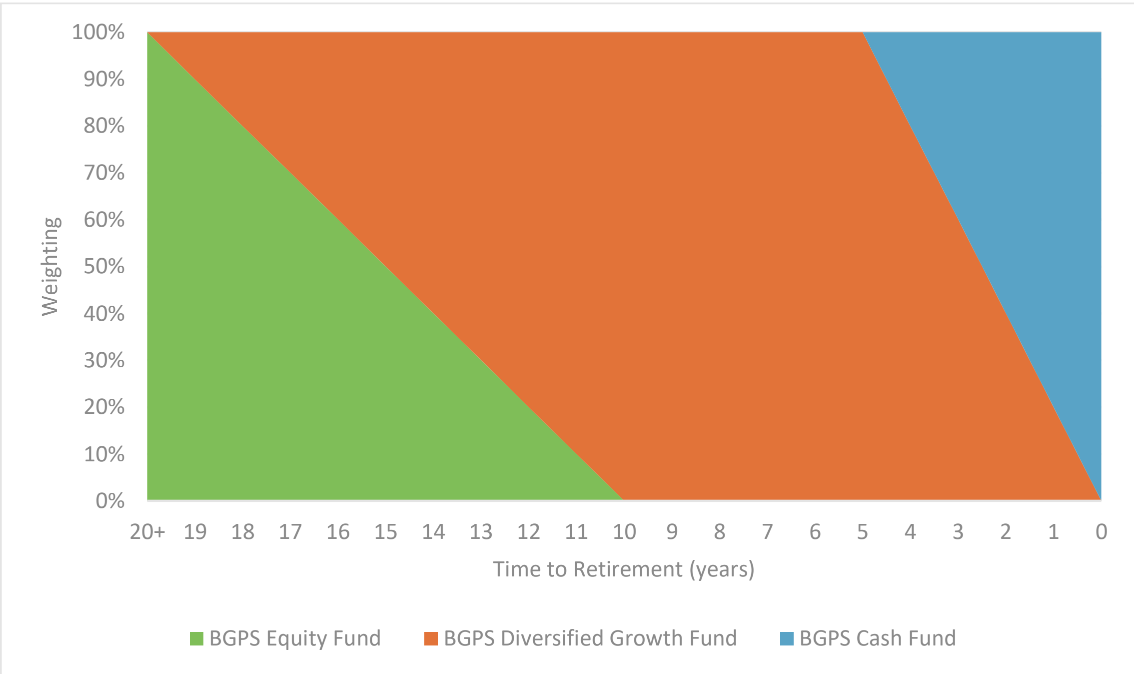
The average charge for the BGPS Annuity Lifestyle over a 40 year savings period was 0.22% p.a.

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

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.

APPENDIX C: STATEMENT OF INVESTMENT PRINCIPLES

THE BAXI GROUP PENSION SCHEME

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.

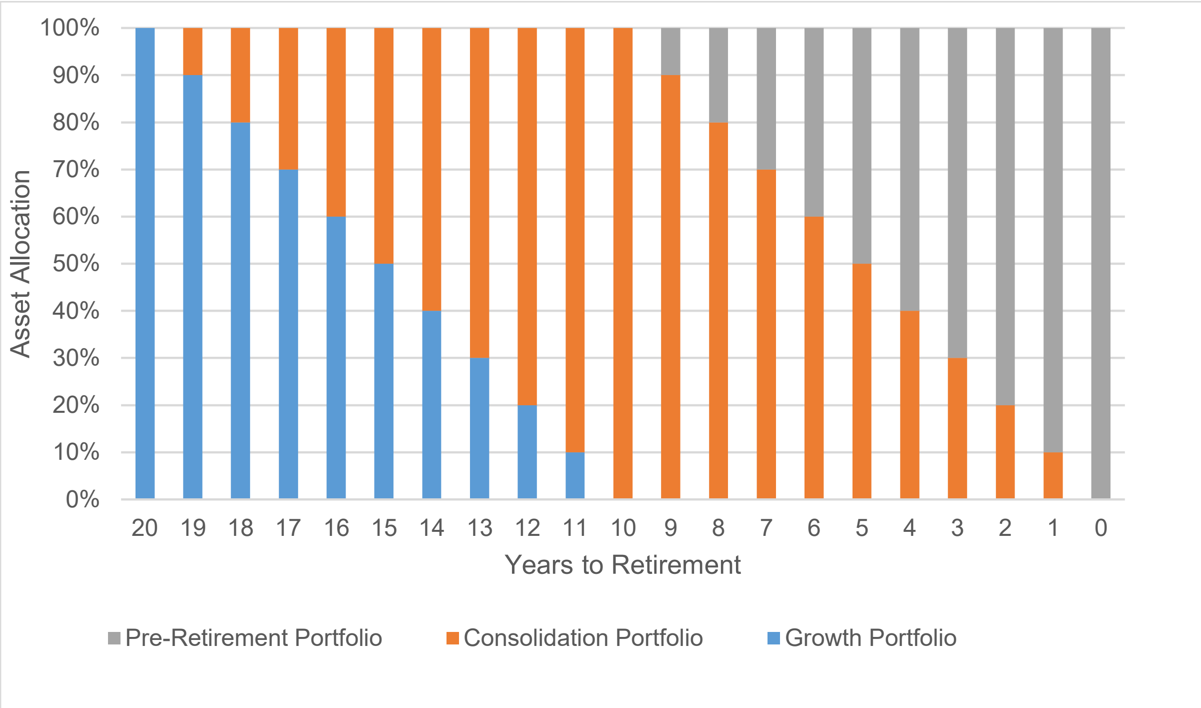
This review will occur no less frequently than every three years to coincide with the Actuarial Valuation and the review of the DC Default arrangements. Any such review will again be based on written, expert investment advice and will be undertaken in consultation with the Company.

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

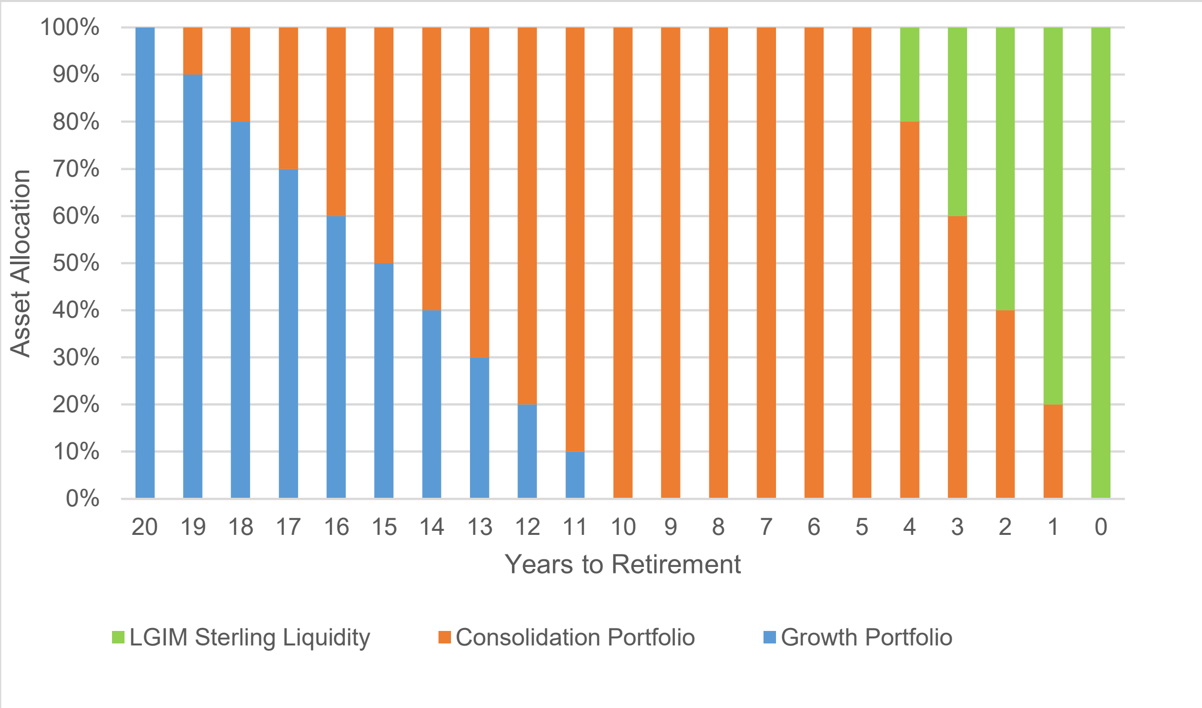
The Trustee has considered risks in relation to the default from a number of perspectives. The Trustee considers how these risks are managed and monitored. The approach taken for the default does not differ from that of the Scheme. The considered risks are in relation to what the Trustee considers 'financially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

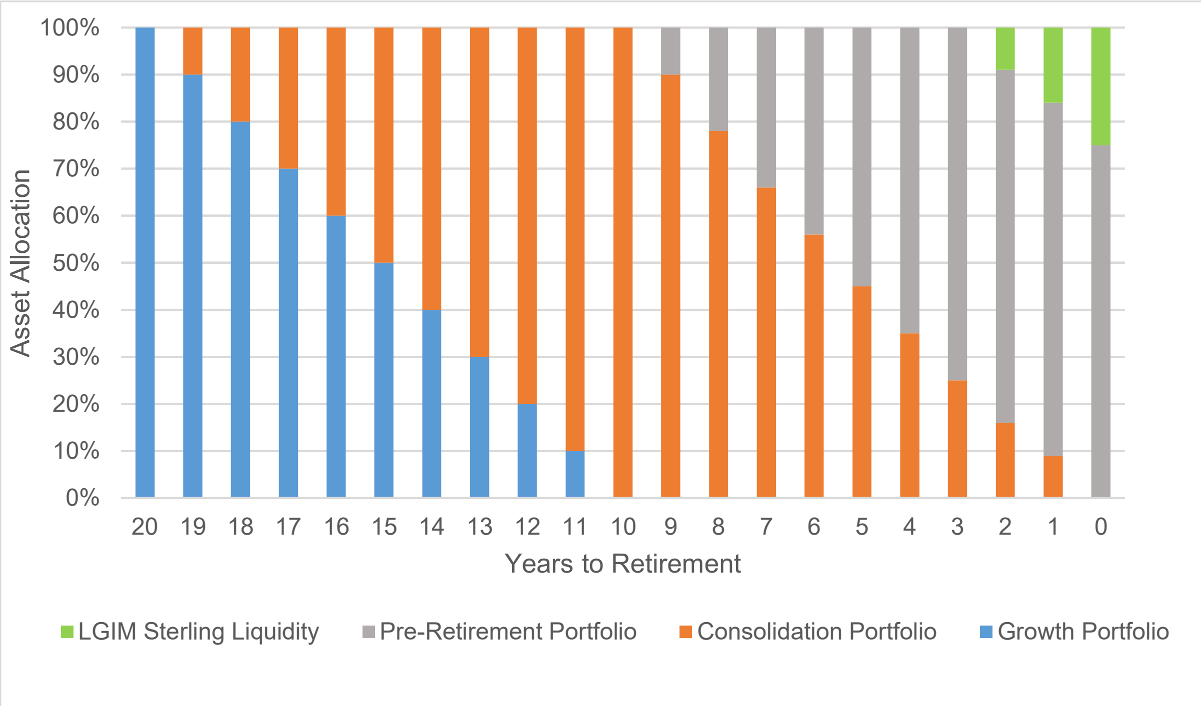
Appendix B – Alternative lifestyle options / Additional Default Option

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.