Building and Civil Engineering Benefits Scheme

Annual Report and Financial Statements
for the year ended
31 March 2024

Pension scheme registry number: 10170894

Contents

Trustee Board

The following served as Trustee Directors of Building and Civil Engineering Benefits Scheme Trustee Limited (the Trustee) during the year, and up to the date of signing:

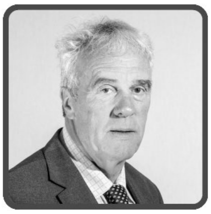
Alan Pickering, CBE

Independent Chair

Brian Phoenix

Employer representative

Nominated by National Federation of Builders



Robert Blackman,MBE

Industry employee representative

Nominated by Unite the Union

Christopher Fagan

Employer representative

Nominated by National Federation of Builders

Graham Dow

Industry employee representative

Nominated by GMB

Vaughan Hart

Employer representative

Nominated by Scottish Building Federation

Scheme information

Secretary
Lauren Ireland

Scheme administrator
People's Administration Services Limited

Actuary
Chintan Gandhi FIA, Aon Solutions UK Limited

Independent auditor
KPMG LLP

Legal adviser
CMS Cameron McKenna Nabarro Olswang LLP
Fieldfisher LLP

Investment adviser
Barnett Waddingham LLP

Investment managers
Legal & General Investment Management Limited*
Newton Investment Management Limited
State Street Global Advisors
* AVC investment managers

Banker
HSBC Bank plc

Name and address for enquiries
Scheme Secretary's Office
Building and Civil Engineering Benefits Scheme Trustee Limited
Manor Royal
Crawley
West Sussex RH10 9QP
Email: info@bandce.co.uk
Phone number: 0300 2000 555
Website: www.bandce.co.uk

There are written agreements in place between the Trustee and advisers listed above. There is no sponsoring employer for the Building and Civil Engineering Benefits Scheme as it is a multi-employer scheme.

Trustee's report for the year ended 31 March 2024

The Trustee of the Building and Civil Engineering Benefits Scheme ("the Scheme") presents its annual report for the year ended 31 March 2024.

Scheme constitution and management

The Scheme is a registered occupational pension scheme established in 1982 by Trust Deed to provide death and retirement benefits to members who worked in the construction industry. The rules set out in a schedule to the Trust Deed cover lump sum retirement benefits, voluntary contributions and death benefits. From 9 April 2001, the Scheme closed to new lump sum retirement benefit and voluntary contribution members and, from 30 October 2010, it also closed its death benefits for deaths occurring after this date. The Scheme has never been contracted out of the State Second Pension (S2P) or its predecessor, the State Earnings Related Pension Scheme (SERPS). The Scheme consists of a 'Main fund' and a separate Additional Voluntary Contribution (AVC) fund (AVC fund). As the Scheme is closed it does not receive any contributions.

The parties to the Trust Deed were the employers' and the operatives' sides of the National Joint Council for the building industry and the employers' and the operatives' panels of the Civil Engineering Construction Conciliation Board. These employers are the current participating employers of the Scheme.

People's Partnership Holdings Limited ("PPHL") and its subsidiaries are referred to as "the Group".

The Trustee was appointed as the corporate trustee of the Scheme and has responsibility for setting the strategy and for managing the Scheme.The persons who acted as Trustee Directors of the Trustee during the year and up to the date of signing of the financial statements are listed on page 1. The Trustee held 4 meetings during the year and decisions were passed by a majority of the Trustee Directors in attendance.

The Scheme is exempt from the member nominated directors provisions of the Pensions Act 2004 as it's a 'relevant approved centralised scheme'.

The Trustee Directors' attendance at meetings of the Trustee is summarised below.

Trustee Director	Trustee 4 meetings
R Blackman	4
G Dow	3
C Fagan	4
V Hart	4
B Phoenix	3
A Pickering	4

The Trustee Directors are paid a fee and reimbursed for expenses incurred in performing their duties as Directors of the Trustee. This cost is borne by People's Partnership Holdings Limited.

The Trustee regularly reviews risks and conflicts to ensure appropriate internal controls are in place and remain effective to support its governance arrangements.

The Trustee has appointed professional advisers and other organisations to support it in delivering the Scheme's objectives. These advisers and organisations are listed on page 2. The Trustee has written agreements in place with each of them.

Financial developments and financial statements

The financial statements included in this annual report have been prepared and audited in accordance with sections 41(1) and (6) of the Pensions Act 1995.

Trustee's report for the year ended 31 March 2024 (continued)

Membership and benefits

On 31 March 2024, there were 1,021,719 members (2023: 1,055,176), all deferred, for whom the Scheme Administrator had recorded at least one week of pensionable service. However, in accordance with the Trust Deed, only 339,568 (2023: 343,702) members had sufficient pensionable service to qualify for a benefit payment from the Scheme.

Key developments

The Scheme has improved its member engagement strategy by issuing new age-related communications to members at key ages when they have certain options to access their benefit. In addition to alerting members to the options available to them, the new communications are intended to help members plan for their retirement by explaining the value of their benefit to ensure they factor their benefit in their retirement planning.

Benefit increases

The Scheme only pays a cash lump sum benefit on retirement, it does not pay a pension. The retirement benefit rate (RBR) of £8.50 per week of service has remained at the same level since 2014 and no allowance has been made for RBR increases in the 2022 and 2023 actuarial valuations.

Transfer values

Cash equivalents paid during the year for transfers have been calculated and confirmed in the manner provided by the Pension Schemes Act 1993 and don't include discretionary benefits.

Actuarial liabilities

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective. This objective is to have sufficient and appropriate assets to cover the technical provisions which are the present value of benefits members are entitled to, based on their pensionable service at the valuation date. This is assessed at least every 3 years using assumptions agreed by the Trustee and set out in the Statement of funding principles. A copy of the Statement of funding principles is available to members on request.

The most recent triennial actuarial valuation of the Scheme was carried out as at 31 March 2021 and showed that Scheme liabilities were 110% funded resulting in a surplus of £59.6m. The last interim annual actuarial funding update was performed as at 31 March 2023 which showed that the Scheme liabilities were 115% funded resulting in a surplus of £70.6m. The 31 March 2024 formal triennial actuarial valuation is currently underway with the preliminary and final results expected in August and November 2024 respectively.

Valuation date: 31 March	2023	2022	2021
Value of technical provisions	£469.0m	£544.4m	£588.3m
Value of assets available to meet technical provisions	£539.6m	£610.8m	£647.9m
Surplus	£70.6m	£66.4m	£59.6m
Funding level	115%	112%	110%

Trustee's report for the year ended 31 March 2024 (continued)

Actuarial liabilities (continued)

The value of the technical provisions is based on pensionable service to the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns and when members will retire. The following significant actuarial assumptions were used in the 31 March 2021 triennial and the 31 March 2023 annual valuations.

Assumption	
Discount rate	Gilt yield curve with no allowance for expected outperformance
RPI inflation	Gilt "break-even" RPI curve, with no adjustment
Retirement benefit rate increases	0% of RPI inflation assumption
Expenses	Annual management charge of 0.5% p.a. reflected in the discount rate and expense reserve of £11m for the Regulator levy and Scheme expenses

Recovery plan

As the Scheme is in surplus (relative to the technical provisions), a recovery plan is not required.

Next actuarial valuation

The 31 March 2024 triennial actuarial valuation is currently underway with the preliminary and final results expected in August and November 2024 respectively. The next triennial valuation must be carried out no later than 31 March 2027 (3 years after the effective date of the most recent formal valuation carried out). In addition to the triennial valuation, an annual actuarial report is required by legislation to provide an approximate update of the assets and technical provisions of the Scheme on the anniversary of the last valuation. The next interim annual actuarial funding update will be prepared for the year ending 31 March 2025.

Investment management

Investment strategy and principles

The Trustee is responsible for the investment policies and strategy of the Scheme. In accordance with Section 35 of the Pensions Act 1995, on 29 July 2020 the Trustee agreed a Statement of Investment Principles ("SIP"). A copy of the SIP may be obtained from the contact for enquiries on page 2.

Within the SIP, the strategic asset allocation allocates 17% of the Main fund's investments to:

- **Return-seeking assets:** mainly equities, diversified funds and property, where the objective is to achieve growth within the constraints of the risk profile set by the Trustee.

And 83% to:

- **Liability-driven assets:** mainly bonds, liability-driven investment ("LDI") funds and swaps, where the objective is to secure fixed or inflation-adjusted cash flows in the future, and where the investments are generally expected to be held to maturity.

Investment strategy for the AVC fund allocates 18.7% of the investments to return-seeking assets and the remaining 81.3% of the investments to liability-driven assets.

As at 31 March 2024, the return-seeking assets of the Main fund make up 12.5% (2023: 10.5%) of the portfolio with 87.5% (2023: 89.5%) of the portfolio made up by liability-driven assets.

For the AVC fund, the fund weights are 17.9% (2023: 22.5%) return-seeking assets and 82.1% (2023: 77.5%) liability-driven assets.

The Trustee recognises that the asset allocation will vary over time as a result of market movements.

The Trustee seeks to keep a balance between maintaining the asset allocation for both the Main fund and AVC fund in line with its benchmark and limiting the costs of rebalances.

Trustee's report for the year ended 31 March 2024 (continued)

Investment management (continued)

Management and custody of investments

The Trustee has delegated management of the investments to professional investment managers, which are listed on page 2. These managers, which are registered in the United Kingdom and regulated by the Financial Conduct Authority ("FCA") , manage the investments within the restrictions set out in the investment management agreements. These agreements are designed to ensure the managers follow the objectives and policies set out in the SIP.

The investment managers make decisions about:

- selection of individual investments;
- realisation of investments; and
- the exercise of voting and other rights attaching to individual investments.

The Trustee invests in pooled funds where the Trustee has a right to the cash value of the units rather than the underlying assets. The investment managers and their nominees have ownership and custody of the underlying investments.

All of the investments are readily available for sale.

Investment performance

The year was more positive in terms of performance of global investments with equities in particular performing stronger than the previous year. The value of the liability-driven assets or the protection portfolio (including the sterling liquidity fund) which accounts for the majority of the Scheme's investment assets increased by 3.0%. However, it should be noted that growth in these assets is not a key objective for the Scheme because they're normally linked to changes in the Scheme's liabilities. This is referred to as LDI and comprises of UK and overseas government and other permitted bonds, interest rate swaps, the purpose of which is to hedge against the impact of interest rate movements on long-term liabilities.

The performance of the return-seeking assets or the growth portfolio was also positive this year.

The BNY Mellon Real Return Fund returned 8.3% (versus 9.0% benchmark) over the year and was up 2.1% p.a. (6.4% benchmark) over 3 years.

The State Street International (Developed 100% Hedged) ESG Screened Index Equity Sub-Fund returned 27.2% p.a (27.1% benchmark) over the year and was up 9.3% p.a (9.0% benchmark) over 3 years.

The investment managers currently operate to the following benchmarks:

Main fund

- Legal & General Investment Management: no benchmark
- BNY Mellon: SONIA 30-day compounded rate + 4% p.a. over 5 years before fees
- State Street: FTSE Custom World ex UK ex Controversies ex CW 100% Hedged to GBP Net Tax Index

Overall, the Main fund's investment return was 4.7% (versus 2.0% benchmark) in the year to 31 March 2024 and (1.3%) p.a. (versus (3.1%) benchmark) over the 3 years to 31 March 2024.

AVC fund

- Legal & General Investment Management: no benchmark
- BNY Mellon: SONIA 30-day compounded rate + 4% p.a. over 5 years before fees
- State Street: FTSE Custom World ex UK ex Controversies ex CW 100% Hedged to GBP Net Tax Index

Overall, the AVC fund produced a positive return of 5.8% in the year to 31 March 2024 and 1.9% p.a. over the 3 years to 31 March 2024.

Trustee's report for the year ended 31 March 2024 (continued)

Investment management (continued)

Environmental, social and governance considerations and investment stewardship

The Trustee believes environmental, social and governance ("ESG") considerations, including climate change (referred to together as "ESG issues"), have the potential to have a financially material impact over the long time period in which benefits are expected to be paid. The Trustee appreciates the method of incorporating ESG within an investment strategy and process will differ between asset classes. A high-level summary of the Trustee's views on ESG integration within each asset class the Scheme invests in is outlined below:

Multi-asset funds – the Trustee believes ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's multi-asset fund managers. The investment process for each multi-asset fund manager should take ESG issues into account when selecting holdings. The approach and level of ESG integration may differ depending on the nature of the fund and the types of underlying investments made. Further to this, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

LDI and money market– the Trustee believes there is often less scope for ESG issues to improve risk-adjusted returns in these asset classes because of the:

- high level of exposure to government bonds within the Scheme's LDI holdings; and
- short-term nature of the assets within money market funds.

It's worth noting that when transacting in LDI and money market funds, the Trustee requires that due diligence is undertaken to assess the credit worthiness of the counterparty both initially and ongoing, whilst at the same time looking to achieve best execution. The Trustee expects this to be more relevant for longer term trades compared to shorter term trades and should incorporate ESG factors where these assist with the credit worthiness assessment.

The Trustee is comfortable that all of the investment managers are managing their respective funds with ESG taken into account in a reasonable way for that particular asset class and in accordance with their views on financially material factors, as set out in this statement, in particular with regards to the selection, retention, and realisation of the underlying investments held. Each of the Scheme's fund managers will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk.

The Trustee will consider ESG issues when appointing and reviewing managers to ensure they're appropriately taken into account given the asset class involved.

The Trustee has taken a decision to avoid investing in any asbestos mining related investments, but accepts that this may not always be possible when using pooled investment vehicles. This is not expected to have a material impact on the risk-adjusted returns. Aside from the above, no other 'non-financial considerations' are taken into account when deriving the investment strategy.

The Trustee acknowledges the importance of ESG and climate risk within their investment decision making framework. The Scheme invests exclusively in pooled funds at present and this policy is, therefore, framed around how the Trustee interacts with, monitors, and may seek to influence, the pooled fund managers. When delegating investment decision making to their investment managers the Trustee provides their investment managers with a benchmark which they expect the investment managers to either follow or outperform. The benchmarks to be used reflect the positioning the investment manager is expected to take within an investee company's corporate structure.

The Trustee is firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e., that they apply to equity, credit and property instruments or holdings. The Trustee also recognises ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

Trustee's report for the year ended 31 March 2024 (continued)

Investment management (continued)

Environmental, social and governance considerations and investment stewardship (continued)

The Trustee considers it to be a part of their investments managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests. The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they're investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme. The Trustee expects the investment manager to employ the same degree of scrutiny for pooled funds as if the investment had been made on a direct basis. Should an investment manager be failing in these respects, this should be captured in the regular monitoring of the managers' activity.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects all investment managers to have a conflict-of-interest policy in relation to their engagement and ongoing operations. In doing so, the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment managers and the investee companies.

Further details on aspects of the above, together with the Trustee's policies in relation to the stewardship of investments, including engagement with investee firms and the exercise of the voting rights associated with the investment, are contained in the Scheme's Responsible Investment ("RI") Policy.

Asset manager arrangements

Incentivising alignment with the Trustee's investment policies

Prior to appointing the investment manager, the Trustee discusses the investment manager's benchmark and approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how they're aligned with the Trustee's own investment aims, beliefs and constraints.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider another manager for the mandate.

The Trustee carries out a strategy review at least every 3 years where they assess the continuing relevance of the strategy in the context of the Scheme and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis.

In the event the investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, the Trustee will expect to work with the investment manager to improve the alignment of their objectives. Should the collaboration with the investment manager be deemed unsuccessful by the Trustee, their appointment may be reviewed or terminated. The investment managers have been informed of this by the Trustee.

Trustee's report for the year ended 31 March 2024 (continued)

Investment management (continued)

Asset manager arrangements (continued)

Incentivising assessments based on medium to long-term, financial and non-financial considerations

Investment manager ESG policies are reviewed in the context of best industry practice and feedback is and will be provided to the investment manager.

The Trustee is mindful of the impact on performance of ESG and climate change may have a long-term nature. However, they're aware the risk associated with them may be much shorter term in nature. The Trustee has acknowledged this in their investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over mutually agreed rolling timeframes. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. In the case of assets that are actively managed, the Trustee expects this to be sufficient to ensure an appropriate alignment of interests.

The Trustee expects investment managers to be voting and engaging on behalf of the fund's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short-term targets.

Method and time horizon for assessing performance

The Trustee monitors the performance of their investment managers over the medium to long time periods that are mutually agreed with the investment managers, and are consistent with the Trustee's investment aims, beliefs and constraints. The investment consultant assists the Trustee in this monitoring process.

The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee.

The Trustee believes this fee structure enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

The Trustee asks the Scheme's Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered as part of the review of the investment strategy, at least every 3 years.

Portfolio turnover costs

During the investment manager appointment process, the Trustee considers both past and anticipated portfolio turnover levels. Overall performance is assessed as part of the regular investment monitoring process, which can be impacted by turnover costs. The Trustee recognises there are circumstances when turnover costs are unavoidable e.g., changing manager.

The Trustee recognises that turnover costs are necessary where they're incurred to ensure the Scheme remains in investments that will provide, rather than detract from, performance over the long term. They're mindful that high turnover costs have the potential to adversely affect overall performance. When monitoring turnover costs, both the level and reason behind them are considered and, if necessary, investigated further.

The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Trustee's report for the year ended 31 March 2024 (continued)

Investment management (continued)

Asset manager arrangements (continued)

Duration of arrangement with asset manager

For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints is assessed every 3 years, or when changes deem it appropriate to do so more frequently. As part of this review, the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

Employer-related investments

No investment has been made in any of the participating employers noted on page 3.

Implementation Statement

This implementation statement has been produced by the Trustee of the B&CE Benefits Pension Scheme ("the Scheme") and sets out the following information over the year to 31 March 2024:

- how the Trustee's policies on exercising rights (including voting rights) and engagement have been followed over the year; and
- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes.

The report also sets out the information above regarding the AVC Section over the year to 31 March 2024. The AVC Section of the Scheme is invested in the LGIM Sterling Liquidity Fund, State Street International (Developed 100% Hedged) ESG Screened Index Equity Fund and BNY Mellon Real Return Fund.

Stewardship policy

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's investment managers. The Scheme's LDI portfolio is effectively segregated but is accessed via a bespoke pooled fund arrangement with LGIM where the Scheme is the only investor in this fund.

The Trustee's policy on voting and engagement is set out in the Scheme's Responsible Investment ("RI") Policy, which forms part of the Statement of Investment Principles dated September 2020 (which was the document in place over the year under review). To enable the Trustee to make high quality decisions, the fact-finding and analysis is delegated to the in-house investment team of People's Partnership and the Trustee's independent investment advisers. The Trustee's RI Policy in force over the year under review notes a key priority of engaging with companies in an investment portfolio regarding issues believed to have a material impact (both positive and negative) on future returns. The Trustee is looking for investment managers who are prepared to:

- Be transparent and accountable;
- Enhance and evolve ESG practices in markets;
- Develop long-term partnerships with companies and guide them through the evolution in ESG practices.

In addition, the Trustee will take into account whether their managers are signatories to the Principles for Responsible Investment (PRI) and UK Stewardship Code. *All of the Scheme's managers are signatories to the PRI, as well as the Scheme's investment adviser. All investment managers, as well as the Scheme's investment advisor, are signatories to the 2020 UK Stewardship Code*[1]*.*

[1] In relation to the BNY Mellon Fund, the underlying manager is Newton Investment Management, and it is they who are signatories of the Stewardship Codes.

Trustee's report for the year ended 31 March 2024 (continued)

Implementation statement (continued)

Stewardship policy (continued)

The Trustee has established ownership/voting principles with their managers. These principles include researching companies, identifying any issues and then engaging with them as necessary. Voting and engagement focuses on a range of themes including:

- Election of Directors and Boards;
- Accounting and Audit Related Issues;
- Capital Structure, Reorganisation and Mergers;
- Compensation;
- Environmental and Social Issues.

The Trustee has interpreted these areas as their stewardship priorities within their RI policy over the year to 31 March 2024. The RI policy has been updated following the year-end, and the next Implementation Statement will reflect the updated policy.

How voting and engagement/stewardship policies have been followed

The monitoring and reporting on RI is as shown below, along with the actions taken in respect of the year under review.

1. The Trustee's investment advisers produce an annual sustainability report summarising the voting and engagement activity of the investment managers based on a review of reports and other information provided by the investment managers. This includes information on voting and engagement, together with ratings on voting and engagement in action, as well as scores provided by the PRI on different asset classes where available. This is to ensure that managers used by the Scheme continue to meet the Trustee's standards in this area. Where any material areas of disagreement are identified, these are highlighted to the Trustee.

   The Trustee undertook a review of the stewardship and engagement activities of their investment managers via receipt and review of their investment advisers' report (issued in February 2024). The contents of the report were reviewed and discussed by the Trustee in their meeting during the first quarter of 2024. The result of the review was that the Trustees were satisfied that no immediate significant remedial action was required at that time. Some actions were identified in relation to the Scheme's managers around their stewardship priorities, which will be considered as part of the ongoing investment strategy review and reconsidered if required. This is an annual review.

2. Where relevant, the Trustee's investment advisers consider an investment manager's stewardship credentials when advising on investment issues.

   There were no changes in investment managers the Scheme employed over the year. Managers' stewardship credentials form part of the annual sustainability review as outlined in item 1, above, and any noteworthy developments are also noted in quarterly investment monitoring reports.

3. As the Trustee invests in funds alongside other investors, they recognise that their chosen managers' prioritisation of issues for engagement and voting may not be the same as their own. As far as practicable, the Trustee undertakes a formal engagement process with each manager every year to ensure that there is a good alignment of views and issues to prioritise over the coming year.

   This was not deemed necessary over the year under review. This reflects the reporting provided by the Trustee's investment advisers as noted in item 1, above.

4. The Trustee expects investment managers to be voting and engaging on behalf of the fund's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts.

   The Trustee reviewed the contents of this Statement prior to signing.

Voting and engagement data is set out in the remainder of this Statement for the relevant funds/managers.

Trustee's report for the year ended 31 March 2024 (continued)

Implementation statement (continued)

Prepared by the Trustee of the B&CE Benefits Scheme

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustee over the year to 31 March 2024. Please note that there are no voting rights in relation to underlying assets of the Scheme's holdings with Legal & General Investment management Limited ("LGIM").

Manager	State Street (SSGA)	BNY Mellon
Fund name	International (Developed 100% Hedged) ESG Screened Index Equity Fund	Real Return Fund
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.	
No. of eligible meetings	2,764	69
No. of eligible votes	34,316	1,101
% of resolutions voted	97.9%	99.3%
% of resolutions abstained Error! Bookmark not defined.	1.3%	0%
% of resolutions voted with management[1]	87.7%	92.0%
% of resolutions voted against management[2]	12.2%	7.8%
Proxy voting advisor employed	SSGA contract Institutional Shareholder Services' (ISS) to administer proxy voting, assist in applying SSGA's voting guidelines, provide research and analysis relating to general corporate governance issues and specific proxy items, and provide proxy voting guidelines in limited circumstances. SSGA also has access to Glass Lewis and region-specific meeting analysis provided by the Institutional Voting Information Service. All final voting decisions are based on their proxy voting policies and in-house operational guidelines.	BNY Mellon utilises an independent voting service provider for the purposes of managing upcoming meetings and instructing voting decisions via its electronic platform, and for providing research. Its voting recommendations are not routinely followed; it is only in the event that BNY Mellon recognise a potential material conflict of interest that the recommendation of their external voting service provider will be applied. BNY Mellon do not maintain a voting policy with ISS. They apply their own BNY Mellon voting guidelines, as mentioned above.
% of resolutions voted against proxy voting adviser recommendation	8.7%	4.9%

[1] As a percentage of the total number of resolutions voted on
[2] Votes of abstain can be counted both as a vote of abstain and as a vote against management in some jurisdictions. Totals may therefore add up to more than 100%. Numbers are subject to rounding.

Trustee's report for the year ended 31 March 2024 (continued)

Implementation statement (continued)

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a "significant" vote. However, guidance (from the DWP in June 2022) states that a significant vote is likely to be one that is linked to one or more of the Scheme's stewardship priorities, which are listed in the "Stewardship policy" section above.

The Scheme has established ownership/voting principles. As noted above, as the Scheme invests in funds alongside other investors, the Trustee recognises that their chosen managers prioritisation of issues for engagement and voting may not be the same as their own. However, they look for good alignment and consider this as part of their annual review of sustainability matters. Through the information detailed in this Statement they are comfortable that the voting undertaken on their behalf was broadly reflective of their own policies and not inconsistent with the stewardship priorities as set out in their Responsible Investment policy. Whilst the Trustee did not notify their asset managers what they consider to be the most significant votes in advance of those votes being taken, their RI policy (which includes information on stewardship priorities) has been re-confirmed with the investment managers in the first half of 2023.

The Trustee has selected 8 significant votes for the SSGA fund from a longer list provided by the manager of votes that they deem significant. The 8 votes chosen by the Trustee are based on voting themes the Trustee focuses on and the largest holdings within these themes.

BNY Mellon have provided a selection of 10 votes for the BNY Mellon Real Return Fund. The Trustee selected all 10 votes based on voting theme as the most significant votes.

A summary of the significant votes provided is set out below.

State Street, International (Developed 100% Hedged) ESG Screened Index Equity Fund – Table 1 of 2

	Vote 1	Vote 2	Vote 3	Vote 4
Company name	Microsoft Corporation	Amazon.com, Inc.	Meta Platforms, Inc.	Alphabet Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	5.0%	2.6%	1.7%	1.4%
Summary of the resolution	Report on Climate Risk in Retirement Plan Options	Advisory Vote to Ratify Named Executive Officers' Compensation	Report on Executive Pay Calibration to Externalized Costs	Advisory Vote to Ratify Named Executive Officers' Compensation
How SSGA voted	Against	For	Against	Against
Rationale for the voting decision	SSGA voted against the proposal as they believe the proposal seeks to micromanage the company's approach to employee benefits and total rewards.	SSGA supported the proposal as they believe pay for performance are aligned.	SSGA voted against the proposal as they believe it is overly prescriptive and does not provide the compensation committee with appropriate discretion to determine which metrics are best suited for determining executive compensation outcomes.	SSGA voted against the proposal due to their belief that the executive's mega grant resulted in excessive quantum.
Outcome of the vote	SSGA were unable to provide the outcome of this vote (this was requested but not provided at the point of issue).			
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.			
Criteria on which the vote is considered "significant"	Environmental related shareholder proposal	Compensation	Compensation	Compensation

Trustee's report for the year ended 31 March 2024 (continued)

Implementation statement (continued)

Voting data (continued)

Significant votes (continued)

State Street, International (Developed 100% Hedged) ESG Screened Index Equity Fund – Table 2 of 2

	Vote 5	Vote 6	Vote 7	Vote 8
Company name	American International Group, Inc.	Berkshire Hathaway Inc.	The Southern Company	Total Energies SE
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.1%	0.9%	0.2%	0.2%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Report on Physical and Transitional Climate-Related Risks and Opportunities	Adopt Scope 3 GHG Emissions Reduction Targets Aligned with Paris Agreement Goal	Align Targets for Indirect Scope 3 Emissions with the Paris Climate Agreement (Advisory)
How SSGA voted	Against	For	Against	Against
Rationale for the voting decision	SSGA believed this proposal does not merit support due to pay for performance concerns.	SSGA supported the proposal as they believed that the company's disclosures related to climate change could be enhanced.	SSGA did not support the proposal as they believed that the company's disclosures related to GHG emissions mostly aligned with SSGA's guidance.	SSGA did not support the proposal as they believed that the company's disclosures related to GHG emissions mostly aligned with SSGA's guidance.
Outcome of the vote	Fail	Fail	Fail	Fail
Implications of the outcome	Where appropriate SSGA will contact the company to explain their voting rationale and conduct further engagement.			
Criteria on which the vote is considered "significant"	Compensation	Audit and environmental related shareholder proposal	Environmental related shareholder proposal	Environmental related shareholder proposal

Trustee's report for the year ended 31 March 2024 (continued)

Implementation statement (continued)

Voting data (continued)

Significant votes (continued)

BNY Mellon, Real Return Fund – Table 1 of 2

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	Barrick Gold Corporation	ConocoPhillips	NextEra Energy, Inc.	CME Group Inc.	
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.5%	0.9%	0.5%	0.8%	
Summary of the resolution	Elect Director J. Brett Harvey	Elect Director Robert A. Niblock	Elect Director Sherry S. Barrat	Elect Director Timothy S. Bitsberger	Elect Director Charles P. Carey
How BNYM voted	Against	Against	Against	Against	
Rationale for the voting decision	BNYM voted against the lead director who they consider to be non-independent owing to excessive tenure, given the roles of chair and chief executive officer are combined.	BNYM voted against the lead director who they consider to be non-independent owing to excessive tenure, given the roles of chair and chief executive officer are combined.	BNYM voted against the Non-Independent Lead Director given the roles of Chair and CEO are combined.	BNYM voted against the re-election of the members of the compensation committee in line with their voting recommendation on executive remuneration arrangements. Further, in their opinion, the company did not exhibit adequate responsiveness to last year's significant shareholder dissent on executive pay.	
Outcome of the vote	14% voted against	19% voted against	91% voted for	30% voted against	45% voted against
Implications of the outcome	From the company's point of view the dissent is not sufficient for them to engage with shareholders to discuss improvements in governance structures. However, a good part of the shareholder base has taken cognizance that governance structures in particular the board structure can improve. BNYM feel the dissent will only increase if the company doesn't take necessary steps to address these concerns.	From the company's point of view the dissent is not sufficient for them to engage with shareholders to discuss improvements in governance structures. However, a good part of the shareholder base has taken cognizance that governance structures in particular the board structure can improve. BNYM feel the dissent will only increase if the company doesn't take necessary steps to address these concerns.	The low level of dissent shows that BNYM's concerns were not widely shared by shareholders, notably US-based shareholders.	This is the second consecutive year when the underlying say-on-pay proposal has not been approved by shareholders, which is a clear indication of consistent shareholder dissatisfaction with the pay practices at the company. BNYM expect the company to reach out now to shareholders to seek input for improvements, otherwise they expect shareholders to put further pressure on director accountability through adverse recommendations at director elections. There has been an increasing dissent on compensation committee member elections this year.	
Criteria on which the vote is considered "significant"	Director election	Director election	Director election	Director election	Director election

Trustee's report for the year ended 31 March 2024 (continued)

Implementation statement (continued)

Voting Data (continued)

Significant votes (continued)

BNY Mellon, Real Return Fund – Table 2 of 2

	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Company name	Universal Music Group NV	Unilever Plc	Shell Plc	NextEra Energy, Inc.	Lockheed Martin Corporation
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.7%	1.2%	2.0%	0.5%	1.0%
Summary of the resolution	Approve Remuneration Report	Approve Remuneration Report	Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	Disclose Board Skills and Diversity Matrix	Report on Efforts to Reduce Full Value Chain GHG Emissions in Alignment with Paris Agreement Goal
How BNYM voted	Against	Against	Abstain	For	For
Rationale for the voting decision	BNYM voted against executive remuneration arrangements due to a misalignment between pay and performance. In addition they believed there were inadequate disclosures around the quantum of pay and thresholds, targets, or the overall cap being used for variable pay outcomes. This made it difficult to assess the robustness of the pay structure and establish the link between pay and performance. Further, there were one-off awards granted without any compelling justification or not linked to any measurable performance conditions. Furthermore, there were significant pay increases granted to executive(s) and there was an absence of a compelling rationale for this.	BNYM voted against executive pay arrangements owing to significant pay increases granted to executive(s) and the absence of a compelling rationale for this.	BNYM abstained on the proposal requesting an alignment of the 2030 Scope 3 reduction target to the Paris agreement. While the argument is acknowledged, BNYM felt that voting in favour of this resolution can be considered as overstepping on management's prerogatives in strategy setting. However, BNYM have abstained in line with their views that the current transition plan merits more robust 2030 goals in order to gain credibility.	BNYM supported this shareholder proposal requesting the disclosure of a board skills and diversity matrix as they believed it would help shareholders to assess how the company is managing related risks.	BNYM supported a shareholder proposal asking for a report on efforts to reduce full value chain GHG emissions in alignment with Paris Agreement as in their view, more information on the company's plans to transition towards a low carbon economy would help shareholders better assess this risk.

Trustee's report for the year ended 31 March 2024 (continued)

Implementation statement (continued)

Voting Data (continued)

Significant votes (continued)

BNY Mellon, Real Return Fund – Table 2 of 2 (continued)

	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
Outcome of the vote	41% voted against	58% voted against	80% voted for	49% voted for	33% voted for
Implications of the outcome	This is the second consecutive year in running that majority of minority shareholders failed to support the CEO's compensation, with the dissent increasing year-on-year. The company should recognise this significant level of dissent, and determine mitigating steps required to avoid a similar or worse vote outcome occurring in the future. Further, BNYM expect the company to reach out to shareholders and ask their views to improve remuneration arrangements.	The vote outcome is a clear indication of shareholder dissatisfaction with pay decisions made at the company during the year under the review. The company has reached out to shareholders and BNYM have communicated their concerns and reasons for adverse vote recommendations. BNYM will continue exercising future votes in support of their views surrounding significant salary increases and alignment between pay and performance.	The significant dissent on the proposal shows concern from the shareholder base around Shell's transition plan.	The high level of support shows that the issue is significant to shareholders and BNYM would expect the company to consider that a significant shareholder base would want to see the implementation of a board skill matrix.	The support received for the shareholder proposal is substantial and must be accounted for. BNYM would expect the company to provide enhanced disclosures especially around setting timelines to implement a scope 3 emission reduction goal and finding efficiencies in processes.
Criteria on which the vote is considered "significant"	Compensation	Compensation	Environmental related shareholder proposal	Board/Director related shareholder proposal	Environmental related shareholder proposal

Trustee's report for the year ended 31 March 2024 (continued)

Implementation statement (continued)

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

LGIM carry out engagement activities at a firm-wide level, however, they are able to provide some information on their engagements at a fund level as well. Engagement activities are limited for the Scheme's LDI portfolio due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

State Street carry out engagement activities at a firm-wide level and the information provided reflects this.

Manager	BNYM	LGIM	SSGA
Fund name	Real Return Fund	Sterling Liquidity Fund	International (Developed 100% Hedged) ESG Screened Index Equity Sub-Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	20	25*	515
Number of engagements undertaken at a firm level in the year	42	2,006	948

*Data as at 31 December 2023 given availability of information at point of issue.

The data below is a summary of BNYM, State Street and LGIM's global engagement at a firm level for the year to 31 March 2024.

Manager	BNYM	LGIM	State Street (SSGA)
Number of companies engaged	27	2,006	755
Number of engagements on environmental topics	25	1,820	382
Number of engagements on governance topics	23	528	194
Number of engagements on social topics	7	274	731
Examples of engagements undertaken with holdings in the funds	BNYM's main engagement topics include: • Climate change • Human capital management (e.g. inclusion & diversity, employee terms, safety)	LGIM's main engagement topics include: • Climate change • Remuneration • Strategy • Board composition • Climate mitigation	SSGA's main engagement topics include: • Effective Board Oversight • Disclosure • Shareholder Protection • Climate Risk Management • Diversity, Equity and Inclusion • Human Capital Management

Trustee’s report for the year ended 31 March 2024 (continued)

Implementation statement (continued)

Examples of engagement activity undertaken over the year to 31 March 2024

State Street

Marathon Petroleum Corporation, Environmental related engagement

In 2022, SSGA initiated an engagement campaign with global companies across the oil and gas value chain focused on understanding efforts to manage methane emissions and related regulatory, reputational, market, financial, and other risks and opportunities. SSGA discussed disclosures and best practices on topics including methane emissions detection, monitoring, measurement, and reporting. Methane emissions management is an ongoing topic of focus in their climate engagements with companies in the Energy sector.

SSGA conducted six engagements with Marathon Petroleum Corporation (“Marathon Petroleum”) between 2022 and 2023. They discussed several climate topics to better understand their approach to climate-related targets, decarbonization strategy, and approach to managing potential social risks and opportunities related to this strategy. They also discussed the company’s approach to managing methane emissions and shared feedback on related disclosures.

In Q4 2023, SSGA held an engagement to discuss the company’s latest climate-related disclosure published in 2023. Marathon Petroleum disclosed additional detail on the company’s efforts to reduce methane emissions, such as controlling emissions from reciprocating compressors and converting pneumatic devices. The company reported expected methane emissions reductions from each action through 2030 as well as estimated planned capital expenditures to achieve these reductions. Further, the company enhanced disclosure on pursuing a more measurement-based methane emissions inventory and common findings from enhanced monitoring within the midstream sector, including higher emissions from methane slip (an event whereby gaseous methane escapes into the atmosphere). Based on new data and revised emissions factors, the company plans to update its methane targets in 2024 and continues to evaluate opportunities to reduce methane emissions.

BNY Mellon

Shell, Climate change related engagement

While BNY Mellon recognise the continuing need for conventional fuel, they believe it is imperative for large oil majors to demonstrate how and where they can invest in clean energy alternatives in order to establish credibility for their transition plans. Scope 3 is the largest source of emissions for the company (similar to other oil and gas producers). The absence of an absolute Scope 3 reduction target raises questions on the credibility of its transition plan.

The company reiterated that green capital expenditure is not expected to rise more than was already announced last year, and BNY Mellon note that this is not a priority for the CEO. The company still points to the Naturgy deal as evidence of its green ambitions, which gives an indication on how it is planning to ramp up renewable production, i.e. through future acquisitions, if at all. Green capital expenditure figures will remain low compared to peers in the short- to medium-term. BNY Mellon continue to believe disclosures around the figure could be more straightforward.

BNY Mellon reiterated to the company that a Scope 3 target in absolute terms, at least for the proportion of emissions that it directly controls, would help investors in assessing the credibility of its climate transition plan and would align its transition plan to some of its EU peers helping transition the company to the low-carbon world. BNY Mellon do acknowledge that rushing to set a Scope 3 target that is not credible and does not have internal buy-in is not the desired outcome investors are seeking, and BNY Mellon do agree with the company on this point. While the announcement of a new transition plan to be put to a shareholder vote will occur in March, BNY Mellon got the sentiment from the meeting that no significant updates are to be expected. However, BNY Mellon told the company representatives that the narrative is important: almost all of the company's competitors have announced some sort of transition plan/ambition: with Exxon exploring the Lithium route as a transition play, Shell needs to give its shareholders a transition ambition that is credible and clear and that does not change every year with respect to the end goal. Shell noted that the ask for a Scope 3 target is essentially an ask for an absolute Scope 3 target for transport. Shell is looking into this alongside a near-zero methane target as well as expanding on biofuels/transport sector/value chain understanding in disclosures for users, which, alongside Liquefied Natural Gas, would constitute a transition narrative that can get shareholder buy-in.

Trustee's report for the year ended 31 March 2024 (continued)

Implementation statement (continued)

Examples of engagement activity undertaken over the year to 31 March 2024 (continued)

BNY Mellon (continued)

However, BNY Mellon told the company representatives that the narrative is important: almost all of the company's competitors have announced some sort of transition plan/ambition: With Exxon exploring the Lithium route as a transition play, Shell needs to give its shareholders a transition ambition that is credible and clear and that does not change every year with respect to the end goal. Shell noted that the ask for a Scope 3 target is essentially an ask for an absolute Scope 3 target for transport. Shell is looking into this alongside a near-zero methane target as well as expanding on biofuels/transport sector/value chain understanding in disclosures for users, which, alongside LNG, would constitute a transition narrative that can get shareholder buy-in.

BNY Mellon, believe it seems increasingly unlikely that Shell will announce a significant absolute Scope 3 reduction in its plan this year. They will monitor announcements at the ESG Day and vote accordingly on the transition plan resolution to be submitted to shareholders at the 2024 annual general meeting. However, the engagement objective is at-risk given the current lack of appetite for new major announcement by the company.

LGIM

Heidelberg Cement, Climate change related engagement

Cement production is responsible for around 8% of global carbon emissions per year. Therefore, the cement industry needs to decarbonise significantly for the world to reach net zero; the sector is included within the 'climate critical' sectors of LGIM's Climate Impact Pledge. Heidelberg believes it has an industry-leading decarbonisation policy as well as first-mover advantage in carbon capture and storage (CCS).

LGIM participated in discussions with Heidelberg's management team to discuss the progress and economic viability of the company's planned CCS projects. Questions focused on:

1. The economics of CCS (cost of capture, transport and storage versus carbon pricing)
2. The external factors affecting viability of CCS projects (regulation, government subsidies etc.)
3. Demand expectations for 'carbon-free' cement

LGIM will continue to engage with Heidelberg as well as other competitors in the cement industry on their decarbonisation targets and trajectory. For Heidelberg, the economics of CCS will only become economical with either an increase in the carbon price or if customers are willing to pay a premium for carbon-free cement. LGIM will continue to monitor these dynamics and discuss with management.

Trustee's report for the year ended 31 March 2024 (continued)

Statement of the Trustee's responsibilities for the financial statements

The audited financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

(i) 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 the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year.

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised 2018).

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. The Trustee is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it intends to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is 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. The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Trustee's Responsibilities in respect of Contributions

The Trustee is responsible under pensions legislation for ensuring that there is a prepared, maintained and from time to time revised schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer 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 of contributions received in respect of any active member of the Scheme and for monitoring that contributions are made to the Scheme in accordance with the schedule.

Further information

Enquiries about the Scheme generally or about an individual's entitlement to a benefit should be made to the Trustee at the address shown on page 2.

The Trustee's report was approved by the Trustee on 1 August 2024 and signed on its behalf by:

Alan Pickering
Trustee Director
1 August 2024

Independent auditor's statement about contributions to the Trustee of the Building and Civil Engineering Benefits Scheme

Statement about contributions

We have examined the summary of contributions payable under the schedule of contributions to the Building and Civil Engineering Benefits Scheme in respect of the Scheme year ended 31 March 2024 which is set out on page 23.

In our opinion contributions for the Scheme year ended 31 March 2024 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid in accordance with the schedule of contributions certified by the actuary on 23 November 2021.

Scope of work on statement about contributions

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 at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedules of contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 21, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions to the Scheme and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Scheme's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our work, for this statement, or for the opinions we have formed.

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

6 August 2024

Summary of contributions payable for the year ended 31 March 2024

During the year, the contributions payable to the Scheme under the schedule of contributions certified by the actuary on 23 November 2021 were as follows:

	31 March 2024
	£000
Required by the schedule of contributions as reported on by the Scheme Auditor	
Normal contributions	-
Total contributions required by the schedule of contributions as reported on by the Scheme Auditor and reported in the financial statements.	-

Signed for and on behalf of the Trustee:

Alan Pickering
Trustee Director
1 August 2024

Independent auditor's report to the Trustee of the Building and Civil Engineering Benefits Scheme

Opinion

We have audited the financial statements of Building and Civil Engineering Benefits Scheme ("the Scheme") for the year ended 31 March 2024 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes to the financial statements, including the accounting policies as set out in pages 29 to 30.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme 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 Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Independent auditors' report to the Trustee of the Building and Civil Engineering Benefits Scheme (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates including the Scheme administrator) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as investment valuations. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared and unusual journals to cash.
- Assessing whether the judgements made in making accounting estimates are indicative of potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee (as required by auditing standards), and from inspection of the Scheme's regulatory and legal correspondence and discussed with the Trustee the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Scheme is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Scheme's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the Schedule of Contributions in our statement about contributions on page 22 of the annual report.

Independent auditors' report to the Trustee of the Building and Civil Engineering Benefits Scheme (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities, implementation statement and the summary of contributions) and the actuarial certification of the schedule of contributions. 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 conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in its statement set out on page 21, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; 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; 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 it either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

6 August 2024

Fund account for the year ended 31 March 2024

	Note	**2024 Main fund £000**	**2024 AVC fund £000**	**2024 Total £000**	2023 Main fund £000	2023 AVC fund £000	2023 Total £000
Other income		**-**	**-**	**-**	112	-	112
Benefits	3	**(25,473)**	**(974)**	**(26,447)**	(24,934)	(1,082)	(26,016)
Transfers to other plans	4	**(170)**	**(2,107)**	**(2,277)**	(257)	(1,287)	(1,544)
Administrative expenses	5	**(4,037)**	**-**	**(4,037)**	(4,383)	-	(4,383)
Net withdrawals from dealings with members		**(29,680)**	**(3,081)**	**(32,761)**	(29,574)	(2,369)	(31,943)
Net returns on investments							
Change in market value of investments	6	**23,404**	**2,698**	**26,102**	(41,933)	803	(41,130)
Investment management expenses	7	**(690)**	**(3)**	**(693)**	(749)	(5)	(754)
Net return on investments		**22,714**	**2,695**	**25,409**	(42,682)	798	(41,884)
Net decrease in the fund		**(6,966)**	**(386)**	**(7,352)**	(72,144)	(1,571)	(73,715)
Opening net assets		**536,867**	**41,016**	**577,883**	609,011	42,587	651,598
Closing net assets		**529,901**	**40,630**	**570,531**	536,867	41,016	577,883

The notes on pages 29 to 42 form part of these financial statements.

Statement of net assets available for benefits as at 31 March 2024

	Note	**2024 Main fund £000**	**2024 AVC fund £000**	**2024 Total £000**	2023 Main fund £000	2023 AVC fund £000	2023 Total £000
Investment assets							
Pooled investment vehicles	8	**530,584**	**39,984**	**570,568**	535,199	37,789	572,988
Total net investments		**530,584**	**39,984**	**570,568**	535,199	37,789	572,988
Current assets	14	**2,073**	**805**	**2,878**	4,235	3,319	7,554
Current liabilities	15	**(2,756)**	**(159)**	**(2,915)**	(2,567)	(92)	(2,659)
Net assets available for benefits		**529,901**	**40,630**	**570,531**	536,867	41,016	577,883

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 page 4 of the Annual report and these financial statements should be read in conjunction with this report.

The notes on pages 29 to 42 form part of these financial statements.

The financial statements were approved by the Trustee on 1 August 2024 and signed on its behalf by:

Alan Pickering
Trustee Director
1 August 2024

Notes to the financial statements for the year ended 31 March 2024

General information

Building and Civil Engineering Benefits Scheme is a defined benefit occupational pension scheme established as a trust under English Law.

The Scheme was established to provide death and retirement benefits for people working in the construction industry. The address of the Scheme's registered office is Manor Royal, Crawley, West Sussex RH10 9QP. From 9 April 2001 the Scheme closed to new lump sum retirement benefit and voluntary contribution members and from 30 October 2010 the Scheme closed for death benefits in respect of deaths occurring after this date.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that income and capital gains earned by the Scheme receive preferential tax treatment. The Scheme is also exempt from taxation except for certain withholding taxes relating to overseas investment income.

Summary of significant accounting policies

The principal 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.

Basis of preparation

The financial statements of the Scheme have been prepared in accordance with UK Generally Accepted Accounting Practice, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the guidance set out in the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised 2018) (SORP).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes the Scheme has adequate resources to meet its obligations as they fall due for at least the next 12 months from the date of approval of these financial statements.

In reaching this conclusion, the Trustee considered its ability to restrict increases to the retirement benefit rate per week of service which may impact the Scheme. It also considered the fact that the Scheme has adequate liquidity to cover benefits without forced sales of assets that might be subject to adverse valuations.

This assessment gives the Trustee confidence to prepare the financial statements on a going concern basis.

Currency

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

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Benefits and payments to and on account of leavers

Lump sum retirement benefits are accounted for on an accruals basis at the later of the crystallisation event or notification to the Scheme.

Transfers to other plans

Transfer values represent the capital sums payable to the pension schemes of new employers for members who've left the Scheme. They're accounted for on an accruals basis, which is normally when cash is paid unless the receiving Trustees have agreed to accept the liability in advance of receipt of funds in which case they're accounted for from the date of the agreement. In the case of individual transfers, this is normally when the payment of the transfer is made.

Notes to the financial statements for the year ended 31 March 2024 (continued)

2. Summary of significant accounting policies (continued)

Administrative expenses

Administrative expenses are accounted for on an accruals basis and are inclusive of irrecoverable VAT.

Investment income and expenditure

The change in market value of investments during the year comprises of 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, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

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.

Valuation and classification of investments

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

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

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

- Unitised pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they're 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.

- The value of other pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated by the Trustee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realisation at that value.

Critical accounting estimates and judgements

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the financial statements.

Notes to the financial statements for the year ended 31 March 2024 (continued)

3. Benefits	2024 Main fund £000	2024 AVC fund £000	2024 Total £000	2023 Main fund £000	2023 AVC fund £000	2023 Total £000
Lump sum retirement benefits	**23,607**	**853**	**24,460**	23,127	883	24,010
Death benefits	**1,866**	**121**	**1,987**	1,807	199	2,006
	25,473	**974**	**26,447**	24,934	1,082	26,016

4. Transfers to other plans	2024 Main fund £000	2024 AVC fund £000	2024 Total £000	2023 Main fund £000	2023 AVC fund £000	2023 Total £000
Individual transfers out to other plans	**170**	**2,107**	**2,277**	257	1,287	1,544

5. Administrative expenses	2024 Main fund £000	2024 AVC fund £000	2024 Total £000	2023 Main fund £000	2023 AVC fund £000	2023 Total £000
Administration fees	**2,823**	**-**	**2,823**	2,787	-	2,787
Regulatory fees	**1,081**	**-**	**1,081**	1,453	-	1,453
Actuarial fees	**102**	**-**	**102**	107	-	107
Legal fees	**-**	**-**	**-**	6	-	6
Audit fees	**31**	**-**	**31**	30	-	30
	4,037	**-**	**4,037**	4,383	-	4,383

Administration fees are charged monthly and based on 0.5% per annum of the value of assets of the Scheme. The Scheme bears the cost of all other regulatory, legal and professional fees.

Notes to the financial statements for the year ended 31 March 2024 (continued)

6. Reconciliation of net investments

	Opening value at 1 Apr 2023 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Closing Value At 31 Mar 2024 £000
Main fund					
Pooled investment vehicles	535,199	-	(28,019)	23,404	530,584
AVC fund					
Pooled investment vehicles	37,789	2,464	(2,967)	2,698	39,984
Total	**572,988**	**2,464**	**(30,986)**	**26,102**	**570,568**

Indirect transaction 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. No direct transaction costs are incurred by the Scheme.

7. Investment management expenses

The investment in pooled investment vehicles has an impact on investment managers' fees. These types of funds suffer periodic charges levied against the value of the fund. Agreements negotiated by the Trustee ensure that where appropriate these charges are fully recovered by the Scheme by offset against investment management fees. Some investment management fees are collected by adjustment of the unit price and are not included below as they're not quantified.

The analysis of fees paid is as follows:

	2024	**2024**	**2024**	2023	2023	2023
	Main fund £000	**AVC fund £000**	**Total £000**	Main fund £000	AVC fund £000	Total £000
Fees charged by investment managers	**426**	**3**	**429**	577	5	582
Performance and advisory fees	**264**	**-**	**264**	172	-	172
	690	**3**	**693**	749	5	754

Notes to the financial statements for the year ended 31 March 2024 (continued)

8. Pooled investment vehicles

At the year-end the principle economic exposures of the Scheme's investments in pooled investment vehicles comprised:

	2024 Main fund £000	**2024 AVC fund £000**	**2024 Total £000**	2023 Main fund £000	2023 AVC fund £000	2023 Total £000
Equity funds	**37,229**	**3,689**	**40,918**	29,274	4,274	33,548
Sterling liquidity funds (cash)	**10,770**	**1,616**	**12,386**	10,238	1,536	11,774
Diversified growth funds	**29,163**	**3,475**	**32,638**	27,048	4,256	31,304
Qualifying investment funds (QIFs)	**453,422**	**31,204**	**484,626**	468,639	27,723	496,362
	530,584	**39,984**	**570,568**	535,199	37,789	572,988

The Scheme is the sole investor in the individual Main fund and AVC fund QIFs. The underlying assets and liabilities in the QIFs are:

	2024 Main fund £000	**2024 AVC fund £000**	**2024 Total £000**	2023 Main fund £000	2023 AVC fund £000	2023 Total £000
Assets						
Pooled investment vehicles–liquidity fund	**352,386**	**31,204**	**383,590**	362,187	27,723	389,910
Bonds	**100,975**	**-**	**100,975**	106,098	-	106,098
Derivatives – swaps	**730**	**-**	**730**	680	-	680
Cash	**36,014**	**-**	**36,014**	38,084	-	38,084
	490,105	**31,204**	**521,309**	507,049	27,723	534,772
Liabilities						
Derivatives - swaps	**(36,683)**	**-**	**(36,683)**	(38,410)	-	(38,410)
	(36,683)	**-**	**(36,683)**	(38,410)	-	(38,410)
	453,422	**31,204**	**484,626**	468,639	27,723	496,362

Objectives and policies for holding derivatives

The Trustee has authorised the use of derivative financial instruments by their investment managers as part of its investment strategy. By using swaps, the Trustee aims to match the liability-driven element of the investment portfolio with the Scheme's long-term liabilities, particularly in relation to their sensitivities to interest rate movements. Due to the lack of available long-dated bonds, the Trustee holds swaps to extend the duration and match more closely with the Scheme's liability profile.

Notes to the financial statements for the year ended 31 March 2024 (continued)

8. Pooled investment vehicles (continued)

Outstanding swaps at the year end are summarised as follows:

Swaps	Number of contracts	Expires within	Notional principal	Fair value asset	Fair value Liability
			£000	**£000**	**£000**
Interest rate swaps					
Pay floating for fixed	2	10 years	16,390	730	-
Pay floating for fixed	4	10 years	245,234	-	(36,683)
Total				**730**	**(36,683)**

The notional principal of the swap is the amount used to determine the swapped receipts and payments. The collateral pledged for these contracts is held in the form of cash in a segregated account with Legal and General Investment Management. Collateral of £36.0m is due from counterparties to cover risk of third party default and losses due to mark to market valuations on the swaps.

9. AVC fund assets

AVC fund investments held by the Scheme provide benefits for the individuals on whose behalf the corresponding voluntary contributions were paid. The investment manager holds the investments on a pooled basis for the Trustee. Each year on the advice of the Scheme actuary, and where funds permit, the Trustee determines annual and final bonus rates. The Scheme Administrator maintains the contribution records for each member and any annual bonus payable is added to each member's contribution record. When a member takes their benefit, the final bonus is calculated and added to their contribution record before payment. The Trustee holds an investment reserve which is not allocated to members from which the annual and final bonuses are paid.

	2024	2023
	£000	£000
Allocated to members	**30,786**	31,309
Not allocated to members	**9,198**	6,480
Market value at 31 March	**39,984**	37,789

The AVC fund assets in the table above are not part of a common pool of assets available to meet defined benefit liabilities.

Notes to the financial statements for the year ended 31 March 2024 (continued)

10. Fair value of investments

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

Level 1: Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.
Level 2: Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.
Level 3: Inputs are unobservable, ie for which market data is unavailable.

The Scheme's investment assets and liabilities have been included at fair value and all fall into Level 2 in this and the prior period.

11. Investments risks

Types of risk relating to investments

FRS 102 requires the disclosure of information in relation to certain investment risks.

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 comprises currency risk, interest rate risk and other price risk.

- **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.

Notes to the financial statements for the year ended 31 March 2024 (continued)

11. Investment risks (continued)

Types of risk relating to investments (continued)

The Trustee determines the investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

The following table summarises the extent to which the various classes of investments are affected by direct and indirect financial risks:

	Direct credit risk	Indirect credit risk	Indirect market risk			2024	2023
			Currency	Interest rate	Other price	£000	£000
Main fund							
Pooled investment vehicles	Yes	Yes	Yes	Yes	Yes	**530,584**	535,199
Total Main fund investments						**530,584**	535,199
AVC fund							
Pooled investment vehicles	Yes	Yes	Yes	Yes	Yes	**39,984**	37,789
Total AVC fund investments						**39,984**	37,789

Due to the nature of the pooled investment vehicles, there are no direct market risks. Further information on the Trustee's approach to risk management, credit and market risk is set out below.

Main fund

Investment strategy

The investment objective of the Main fund is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet the benefits of the Main fund payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy for the Main fund taking into account the long-term liabilities of the Main fund.

In accordance with the investment strategy, noted above, the current allocation of investments is:

- 83% liability-driven assets in a matching portfolio that is designed to move broadly in line with the long-term liabilities of the Main fund. This is referred to as LDI and comprises of UK and overseas government and other permitted bonds, interest rate swaps, the purpose of which is to hedge against the impact of interest rate movements on long-term liabilities.
- 17% return-seeking assets which include Diversified Growth Funds and passive equity and bond funds. These assets are used to generate a return in excess of inflation.

Notes to the financial statements for the year ended 31 March 2024 (continued)

11. Investment risks (continued)

Credit risk

The Main fund is subject to credit risk directly through its investments held in the pooled investment vehicles.

The following table summarises exposures to direct credit risk and the notes below explain how this risk is managed for different asset classes:

Main fund investments exposed to direct credit risk	**2024** **£000**	2023 £000
Pooled investment vehicles	**530,584**	535,199
	530,584	535,199

Direct credit risk arising from pooled investment vehicles is managed 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. 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. The Pooled Investments Vehicles are unrated.

The Main fund is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles, for instance bonds, cash and over-the-counter (OTC) derivatives (investments purchased or sold through a dealer rather than via an exchange) held through the QIF. Indirect credit risk arising on bonds held through the QIF is managed by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. Credit risk arising on other investments is managed by investment mandates requiring all counterparties to be at least investment grade credit rated.

Indirect credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and the Main fund is subject to risk of counterparty failure. The credit risk for OTC swaps is reduced by collateral arrangements (see note 8).

There is an indirect credit risk in relation to cash held within pooled investment vehicles. This risk is mitigated by cash being held within financial institutions which are at least investment grade credit rated.

A summary of pooled investment vehicles by legal structure is as follows;

	2024 **£000**	2023 £000
Qualifying investment funds	**453,422**	468,639
Unit linked insurance contracts	**37,229**	29,274
Open ended investment company	**29,163**	27,048
Sterling liquidity fund	**10,770**	10,238
	530,584	535,199

Market risk: indirect currency risk

The Scheme is subject to indirect currency risk because some of its underlying investments within the pooled investment vehicles are denominated in overseas currencies. The Main fund's liabilities are denominated in sterling and the majority of the assets are denominated in sterling. There is a limited exposure to overseas currency within the pooled investment vehicles, and therefore the Trustee accepts this inherent indirect currency risk. To the extent that there was a significant increase in exposure to non sterling currencies, the Trustee would consider whether to hedge this risk.

Notes to the financial statements for the year ended 31 March 2024 (continued)

11. Investment risks (continued)

Market risk: indirect interest rate risk

The Main fund is subject to indirect interest rate risk because some of its investments, through pooled investment vehicles, are held in bonds, cash and interest rate swaps. The Trustee has set a benchmark for total investment in bonds, cash and interest rate swaps of 83.0% of the total investment portfolio, as part of the 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. At the year end, the LDI portfolio represented 87.5% of the total investment portfolio (2023: 89.5%).

Market risk: other indirect price risk

Other indirect price risk arises principally in relation to the Main fund's return-seeking portfolio which includes equities held in pooled vehicles. The Main fund has set a target asset allocation of 17.0% of investments being held in return-seeking assets. At the year end, the diversified growth fund represented 12.5% of the total investment portfolio (2023: 10.5%).

The Trustee manages the Main fund's exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

Qualifying investment funds

The Scheme is the sole investor and controls the QIF. Accordingly, while reported above that the Scheme has indirect risk arising because this is a pooled investment vehicle, the fact that the Scheme controls this fund means that the Scheme is directly exposed to investment risks in relation to the assets and liabilities held within the QIF.

The following table summarises the underlying exposures within the Main QIF and below is an assessment of risks that the Scheme is exposed to due to the nature of the holdings within the QIF.

	2024	2023
	£000	£000
Bonds	**100,975**	106,098
Derivative swaps - assets	**730**	680
Derivative swaps - liabilities	**(36,683)**	(38,410)
Liquidity fund	**352,386**	362,187
Cash and cash equivalents	**36,014**	38,084
	453,422	468,639

Direct credit risk arising on bonds held through the QIF is managed by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and the Main fund is subject to risk of counterparty failure. The credit risk for OTC swaps is reduced by collateral arrangements (see note 8). Credit risk arising on other investments is managed by investment mandates requiring all counterparties to be at least investment grade credit rated.

The QIF is subject to interest rate risk because some of its investments are held in bonds, cash and interest rate swaps. The Scheme uses its LDI investment strategy to manage this risk. 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

Notes to the financial statements for the year ended 31 March 2024 (continued)

11. Investment risks (continued)

Qualifying investment funds (continued)

The QIF is not subject to currency risk as all the underlying investments are held in sterling. There is no other price risk as the underlying investments do not include any holdings in equities.

AVC fund

Investment strategy

The Trustee's objective is designed to generate income and capital growth which will provide a retirement amount with which the member can purchase a pension annuity (or other type of retirement product).

The Trustee sets the investment strategy for the AVC fund taking into account the long-term liabilities of the AVC fund.

The current investment strategy is:

- 81.3% liability-driven assets in a matching portfolio
- 18.7% return-seeking assets

Credit risk

The AVC fund is subject to credit risk directly, through its cash balances and investments held in the pooled investment vehicles.

The following table summarises exposures to credit risk and the notes below explain how this risk is managed for different asset classes:

AVC fund investments exposed to credit risk	**2024** **£000**	2023 £000
Pooled investment vehicles	**39,984**	37,789
	39,984	37,789

Direct credit risk arising from pooled investment vehicles is managed 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. 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.

Credit risk arising on other investments is managed by investment mandates requiring all counterparties to be at least investment grade credit rated. The Pooled Investments Vehicles are unrated.

Cash is held within financial institutions which are at least investment grade credit rated.

Notes to the financial statements for the year ended 31 March 2024 (continued)

11. Investment risks (continued)

AVC fund (continued)

Credit risk: (continued)

The AVC fund is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles. There is an indirect credit risk in relation to cash held within pooled investment vehicles. This risk is mitigated by cash being held within financial institutions which are at least investment grade credit rated.

A summary of pooled investment vehicles by type of arrangment is as follows;

	2024	2023
	£000	£000
Qualifying investment funds	**31,204**	27,723
Unit linked insurance contracts	**3,689**	4,274
Open ended investment company	**3,475**	4,256
Sterling liquidity fund	**1,616**	1,536
	39,984	37,789

Market risk: indirect currency risk

The AVC fund is subject to indirect currency risk because some of its investments are held in overseas markets via pooled investment vehicles (indirect exposure). The AVC fund's liabilities are denominated in sterling.There is a limited exposure to overseas currency within the pooled investment vehicles, and therefore the Trustee accepts this inherent indirect currency risk. To the extent that there was a significant increase in exposure to non sterling currencies, the Trustee would consider whether to hedge this risk.

Market risk: indirect interest rate risk

The AVC fund is subject to indirect interest rate risk because some of its investments are held in bonds through pooled vehicles, and cash. The Trustee has set a benchmark for total investment in bonds of 81.3% of the total investment portfolio, as part of the 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. At the year end, the LDI portfolio represented 82.1% of the total investment portfolio (2023: 77.5%).

Notes to the financial statements for the year ended 31 March 2024 (continued)

11. Investment risks (continued)

AVC fund (continued)

Credit risk: (continued)

Market risk: other indirect price risk

Other indirect price risk arises principally in relation to the AVC fund's return-seeking portfolio which includes assets held in diversified growth funds. The AVC fund has set a target asset allocation of 18.7% of investments being held in return-seeking assets.

The AVC fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

12. Concentration of investments

Investments accounting for more than 5% of the net assets of the Scheme were:

	2024 Value £000	**%**	2023 Value £000	%
Main fund				
LGIM Liquidity Fund (within QIF)	**352,386**	**61.7**	362,187	62.7
Bonds (within QIF)	**100,975**	**17.7**	106,098	18.4
Cash and cash equivalents (within QIF)	**36,014**	**6.3**	38,014	6.6
Derivatives (within QIF)	**(35,953)**	**(6.3)**	(37,730)	(6.5)
International (Developed 100% Hedged) ESG Screened Index Sub-Fund	**37,229**	**6.5**	29,274	5.1
BNY Mellon Real Return Fund Newton Inst Shares 2 (Acc)	**29,163**	**5.1**	-	-
	519,814	**91.0**	497,843	86.3

	2024 Value £000	**%**	2023 Value £000	%
AVC fund				
LGIM Liquidity Fund (within QIF)	**31,204**	**5.5**	-	-
	31,204	**5.5**	-	-

Notes to the financial statements for the year ended 31 March 2024 (continued)

13. Employer-related investments

There were no employer-related investments during the year (2023: £nil).

14. Current Assets

	2024 Main fund £000	2024 AVC fund £000	2024 Total £000	2023 Main fund £000	2023 AVC fund £000	2023 Total £000
Cash balances	**2,064**	**805**	**2,869**	4,235	3,319	7,554
Other receivables	**9**	**-**	**9**	-	-	-
	2,073	**805**	**2,878**	4,235	3,319	7,554

15. Current liabilities

	2024 Main fund £000	2024 AVC fund £000	2024 Total £000	2023 Main fund £000	2023 AVC fund £000	2023 Total £000
Tax deducted from benefits	**5**	**6**	**11**	14	5	19
Unpaid benefits	**1,109**	**152**	**1,261**	927	86	1,013
Accrued expenses	**1,370**	**1**	**1,371**	1,405	1	1,406
Amounts owed to Administrator	**272**	**-**	**272**	221	-	221
	2,756	**159**	**2,915**	2,567	92	2,659

16. Related party transactions

The Scheme has the following related party transactions:

- Amounts transferable from the Employee Life Cover from B&CE Scheme, a related party through a common corporate Trustee, to reimburse amounts paid by the Scheme on its behalf. The balance outstanding at the year-end was £nil (2023: £nil).

All balances are interest-free, unsecured and repayable on demand.

17. Contingencies and commitments

In the opinion of the Trustee, the Scheme had no contingent liabilities (2023: £nil) or commitments (2023: £nil) at 31 March 2024.

18. Events after the reporting period

There were no events requiring disclosure or adjustment occurring after the end of the reporting period.

Actuarial certificate

Certification of schedule of contributions

Name of scheme: **Building & Civil Engineering Benefits 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 continue to be met for the period for which the schedule is to be in force.

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 23 November 2021.

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	Date 23 November 2021
Name	Qualification
David Gardiner	Fellow of the Institute and Faculty of Actuaries
Address:	Name of employer:
Parkside House Ashley Road Epsom Surrey KT18 5BS	Aon Solutions UK Limited

For more information:

Tel 0300 2000 555

email info@bandce.co.uk

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Building and Civil Engineering
Benefits Scheme Trustee Limited

Manor Royal, Crawley
West Sussex, RH10 9QP

www.bandce.co.uk