



Building and Civil Engineering Benefits Scheme

Annual Report and Financial Statements
for the year ended
31 March 2025

Pension scheme registry number: 10170894

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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

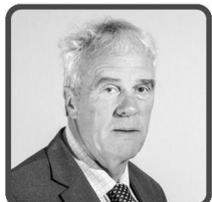
Independent Chair



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 (resigned 28 March 2025)
Trustee Governance Services

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
Insight Investment Management Limited (appointed September 2024)
Newton Investment Management Limited (until November 2024)
State Street Global Advisors (until November 2024)

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 2025

The Trustee of the Building and Civil Engineering Benefits Scheme (“the Scheme”) presents its annual report for the year ended 31 March 2025.

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 Limited (“PPL”) 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 meetings attended |
|---------------------------|----------------------------------|
| <i>R Blackman</i> | 4 |
| <i>G Dow</i> | 4 |
| <i>C Fagan</i> | 4 |
| <i>V Hart</i> | 4 |
| <i>B Phoenix</i> | 3 |
| <i>A Pickering</i> | 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 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 2025 (continued)

Membership and benefits

On 31 March 2025, there were 1,015,927 members (2024: 1,021,719), all deferred, for whom the Scheme Administrator had recorded at least one week of pensionable service. However, in accordance with the Trust Deed, only 328,783 (2024: 339,568) 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 2025 actuarial valuation.

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 do not include discretionary benefits.

Report on 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 2024 and showed that Scheme liabilities were 109% funded resulting in a surplus of £42.6m. The latest interim annual actuarial funding update was performed as at 31 March 2025 which showed that the Scheme liabilities were 102% funded resulting in a surplus of £8.2m, and restated the 2024 results as the Scheme liabilities were 101% funded resulting in a surplus of £4.6m.

| Valuation date: 31 March | 2025 | 2024* | 2024 |
|--|---------|---------|---------|
| Value of technical provisions | £501.8m | £525.3m | £487.7m |
| Value of assets available to meet technical provisions | £510.0m | £529.9m | £529.9m |
| Surplus | £8.2m | £4.6m | £42.2m |
| Funding level | 102% | 101% | 109% |

*2024 has been restated due to 2024 figures being reported as per the initial triennial valuation. The funding level has reduced because the assumptions were changed in the valuation in 2024. Previously, it was assumed that 100% of members under 72 claimed if we had an address and 60% if we didn't, with 10% of members over 72 claiming. From 2024 onwards we now assume that 100% of members under 80 claim which decreased the surplus, but better reflects the efforts to encourage these members to come forward and claim.

Trustee's Report for the year ended 31 March 2025 (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 2024 triennial and the 31 March 2025 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 £9m 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 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 2026.

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 08 January 2025 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.

The SIP, dated 08 January 2025, replaces the prior SIP that came into effect from September 2020. Key changes from the September 2020 SIP to current, include:

- The addition of two new risks; Governance risk and ESG/Climate risk
- A new consideration has been added for Fixed income, relating to ESG
- Removal of appointed fund manager; Partners Group, and addition of Insight Investment
- Added two asset classes to be held: Corporate Bonds, and Liquidity/Cash

Within the SIP, dated 08 January 2025, the strategic asset allocation allocates 17.5% 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 82.5% 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.

As at 31 March 2025, the return-seeking assets of the Main Fund make up 12.5% (2024: 12.5%) of the portfolio with 87.5% (2024: 87.5%) of the portfolio made up by liability-driven assets.

For the AVC Fund, the fund weights are 17.9% (2024: 17.9%) return-seeking assets and 82.1% (2024: 82.1%) liability-driven assets.

Trustee's Report for the year ended 31 March 2025 (continued)

Investment management (continued)

The asset allocation between the protection (liability-driven assets) and surplus portfolios (return-seeking assets) is rebalanced each year such that the value of members' accounts, after the annual bonus declaration, is held in the protection portfolio and the remainder in the surplus portfolio.

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.

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 broadly positive for investments with global equities and bonds posting returns above inflation. 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 2.3%. However, it should be noted that growth in these assets is not a key objective for the Scheme because they are normally linked to changes in the Scheme's liabilities. This is referred to as liability-driven investments (LDI) and comprises of UK and overseas government and other permitted bonds, interest rate swaps and inflation swaps, the purpose of which is to hedge against the impact of interest rate and inflation movements on long-term liabilities.

The performance of the return-seeking assets of the growth portfolio was positive this year increasing by 2.9%. The investment strategy of the Scheme changed in 2025 with Insight replacing LGIM as the protection portfolio manager. For the growth portfolio, the BNY Mellon Real Return Fund and the State Street International (Developed 100% Hedged) Fund were replaced by LGIM Global Equity Future World Fund and LGIM Global Equity Future World (100% Hedged) Fund.

As these funds were changed mid-Scheme year we do not have a year's performance yet.

The investment managers currently operate to the following benchmarks:

Main Fund

- Insight Investment: No benchmark
- Legal & General Investment Management: Solactive L&G ESG Global Markets Index and Solactive L&G ESG Global Markets Index (100% Hedged)

Overall, the Main Fund's investment return was 2.3% (versus 1.7% benchmark) in the year to 31 March 2025 and 0.0% p.a. (versus -1.5% benchmark) over the 3 years to 31 March 2025.

Trustee's Report for the year ended 31 March 2025 (continued)

Investment management (continued)

AVC Fund

- Legal & General Investment Management Sterling Liquidity Fund: SONIA
- Legal & General Investment Management Future World Global Equity Fund: Solactive L&G ESG Global Markets Index

Overall, the AVC Fund produced a positive return of 4.6% in the year to 31 March 2025 and 4.3% p.a. over the 3 years to 31 March 2025.

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 creditworthiness 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 are 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 2025 (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 are 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 are 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 2025 (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 that the impact on performance of ESG and climate change may have a long-term nature. However, they are 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 are incurred to ensure the Scheme remains in investments that will provide, rather than detract from, performance over the long term. They are 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 2025 (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 Scheme and sets out the following information over the year to 31 March 2025:

- 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 implementation statement also sets out the information above regarding the additional voluntary contributions ("AVC") Section over the year to 31 March 2025. The AVC Section of the Scheme is now invested in the Legal and General Investment Management ("LGIM") Sterling Liquidity Fund and LGIM Future World Global Equity Index Fund.

Stewardship policy

The Scheme invests in a combination of pooled funds and bespoke pooled mandates with LGIM and Insight Investment ("Insight"). As a result, it delegates responsibility for carrying out voting and engagement activities to these investment managers. Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held.

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 June 2024 and available here: [BCE-Benefits-Scheme-SIP-2024.pdf](#). 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 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 integrates stewardship considerations into how the Scheme selects, appoints and monitors its asset managers and other service providers. The Trustee expects its fund managers:

- To hold investee companies to account for the actions they are taking to address business-material ESG risks and opportunities.
- To have robust governance systems that drive effective stewardship.
- To hold key industry players and policy makers to account to ensure they are able to help the Scheme achieve its RI objectives.
- To conduct industry, collaborative and policy engagement on the Scheme's stewardship priorities.
- To collaborate with other like-minded investors and stakeholders to increase influence.
- To exercise voting rights on the Trustee's behalf in companies in which the Scheme has holdings (baseline expectation).
- To carry out stewardship activity that is reasonably aligned with the Scheme's stewardship priorities.
- To provide appropriate stewardship reporting, including annually reporting on their progress against the principles laid out in the RI Policy to aid in the Scheme's reporting obligations.

Trustee's Report for the year ended 31 March 2025 (continued)

Implementation statement (continued)

Stewardship policy (continued)

Whilst not directly related to stewardship, the Trustee has taken a decision to avoid investing in asbestos related investments where possible. The Trustee, with the help of its independent investment adviser, will continue to work with its asset managers to ensure they are able, on a best-efforts basis given data constraints, to exclude any companies which are involved in this area should the need arise. The Trustee accepts that this is not likely to be feasible when using pooled investment vehicles with other investors.

In addition, the Trustee will take into account whether its 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 adviser, are signatories to the 2020 UK Stewardship Code¹.

The Scheme has used the following criteria in deciding where to allocate its stewardship resources:

- Prioritise ESG issues which are considered to be systemic risks
- Focus on stewardship asks where a connection can be made to generating shareholder value in a way that aligns with value to the Scheme, its members, as well as wider society
- Focus on stewardship asks that are part of established industry-wide frameworks with existing momentum and track-record behind them.

Using the above prioritisation framework, the Trustee has identified Climate Change, Nature, and Human Rights as the Scheme's Stewardship Priorities. During the year under review, the Trustee updated the RI Policy. However, the Trustee is comfortable that it complied with the principles of the previous policy whilst it was in force.

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.

How voting and engagement/stewardship policies have been followed

Based on the information received, the Trustee believes that the investment managers have acted in accordance with the Scheme's policies on exercising rights (including voting rights) and engagement activities. The Trustee is supportive of the key voting action taken by the applicable investment managers over the period to encourage positive governance changes in the companies in which the investment managers hold shares. The Trustee believes that their policies on voting and engagement have been met in the following ways:

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 fund 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 its investment managers via receipt and review of its investment advisers' report (issued in February 2025). The contents of the report were reviewed and discussed by the Trustee in its meeting during the first quarter of 2025. The result of the review was that the Trustee was satisfied that no immediate significant remedial action was required at that time. This is an annual review.

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

The Scheme adjusted its investment strategy over the year under review. The Scheme divested from holdings with SSGA and BNY Mellon. Additionally the Scheme invested into new holdings with Insight and LGIM. The stewardship credentials of the new managers were considered as part of this process and the Trustee was comfortable that the managers' approaches were broadly appropriate in line with expectations under the RI policy, noting that this is unlikely to be a "perfect fit". 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.

Trustee's Report for the year ended 31 March 2025 (continued)

Implementation statement (continued)

How voting and engagement/stewardship policies have been followed (continued)

3. As the Trustee invests in pooled funds alongside other investors (one fund is a bespoke pooled fund but stewardship is carried out centrally for the strategy by the manager), it recognises that the chosen managers' prioritisation of issues for engagement and voting may not be the same as its own for these funds. As far as practicable, the Trustee's investment adviser annually considers whether there is a good alignment of views and issues to prioritise over the coming year with each manager.

The Trustee invited LGIM to present at a training session, including covering their approach to stewardship. As part of this, the Trustee discussed their stewardship priorities and the investment manager's approach to human and workers' rights and occupational safety/health. Managers' stewardship credentials form part of the annual sustainability review as outlined in item 1, above. This included comment from the Scheme's investment advisers regarding their opinion regarding alignment of priorities. As a result of these activities, the Trustee was comforted that there was reasonable alignment between the stewardship priorities of the Scheme and those of the manager.

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.

5. The Trustee has a policy to avoid investing in any asbestos mining related investments where possible.

The bespoke mandate that the Scheme holds with Insight includes an asbestos exclusions list which details investments which Insight will not hold. This list is reviewed periodically and was updated over the year. Insight report on a quarterly basis that there have been no breaches to the guidelines and this is included in the investment advisers, quarterly investment monitoring reports.

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

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 2025. Over the year, the Scheme transferred all of its growth assets to LGIM. The assets held within the Protection Portfolio have no voting rights attached. We have shown data for the previous funds held during the year, as well as the updated holdings with LGIM. For managers where the Scheme disinvested over the year (SSGA and BNY Mellon) and managers that the Scheme invested during the year (LGIM), voting information shown is for the entire years' period.

Trustee's Report for the year ended 31 March 2025 (continued)

Implementation statement (continued)

Voting Data (continued)

| Manager | State Street (SSGA) | BNY Mellon | LGIM |
|--|--|--|---|
| Fund name | International (Developed 100% Hedged) ESG Screened Index Equity Fund | Real Return Fund | Future World Global Equity Index 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 | 2,559 | 75 | 5,515 |
| No. of eligible votes | 30,791 | 1,075 | 55,096 |
| % of resolutions voted | 98.1% | 99.3% | 99.8% |
| % of resolutions abstained Bookmark not defined. | 1.3% ¹ | 0.0% | 1.1% |
| % of resolutions voted with management ¹ | 90.6% | 94.6% | 81.1% |
| % of resolutions voted against management ² | 9.4% | 5.4% | 17.9% |
| 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. | LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. |
| % of resolutions voted against proxy voting adviser recommendation | 6.9% | 4.9% | 9.7% |

² As a percentage of the total number of resolutions voted on. Totals may not add up to 100%. Numbers are subject to rounding.

³ 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%.

Trustee’s Report for the year ended 31 March 2025 (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, where the Scheme invests in funds alongside other investors, the Trustee recognises that its chosen managers prioritisation of issues for engagement and voting may not be the same as its own. However, it looks for good alignment and considers this as part of its 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 all votes being taken, their RI Policy (which includes information on stewardship priorities) was re-confirmed with the investment managers in the second half of 2024.

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 most aligned to the Trustee’s stewardship priorities and the largest holdings within these themes, ensuring that at least one vote for each stewardship priority is included where possible.

BNY Mellon have provided a selection of 8 votes for the BNY Mellon Real Return Fund. The Trustee selected the votes based on voting themes most aligned to the Trustee’s stewardship priorities as the most significant votes given broad alignment with their stewardship priorities.

The Trustee has selected 8 significant votes for the LGIM 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 most aligned to the Trustee’s stewardship priorities and the largest holdings within these themes, ensuring that at least one vote for each stewardship priority is included where possible.

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 | Amazon.com, Inc. | | Alphabet Inc. | Tesla, Inc |
| Approximate size of Fund’s holding as at the date of the vote (as % of portfolio) | 2.7% | | 1.4% | 1.1% |
| Summary of the resolution | Report on Efforts to Reduce Plastic Use | Disclose All Material Scope 3 GHG Emissions | Report on Climate Risk in Retirement Plan Options | Commit to a Moratorium on Sourcing Minerals from Deep Sea Mining |
| How SSGA voted | Against | Against | Against | Against |
| Rationale for the voting decision | SSGA voted against the proposal as they believe the company’s disclosures related to this item are reasonable. | SSGA voted against the proposal as they believe the company’s climate related disclosures related to this item are reasonable. | SSGA voted against the proposal as they believe the company’s climate related disclosures related to this item are reasonable. | SSGA voted against the proposal as they believe the company’s disclosures related to this item are reasonable. |
| 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” | Climate Change related proposal | Climate Change related proposal | Climate Change related proposal | Climate Change related proposal |

Trustee’s Report for the year ended 31 March 2025 (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 | Berkshire Hathaway Inc. | Exxon Mobil Corporation | The Home Depot, Inc. | Uber Technologies, Inc. |
| Approximate size of Fund's holding as at the date of the vote (as % of portfolio) | 1.1% | 0.8% | 0.5% | 2.2% |
| Summary of the resolution | Disclose BHE's Emissions and Progress Towards Goal in Consolidated Report | Revisit Executive Pay Incentives for GHG Emission Reductions | Disclose a Biodiversity Impact and Dependency Assessment | Commission a Third-Party Audit on Driver Health and Safety |
| How SSGA voted | For | Against | Against | Against |
| Rationale for the voting decision | SSGA believed this proposal merited support as the company's disclosures pertaining to this item were not reasonable. | SSGA believed this proposal does not merit support as the company's disclosures pertaining to this item are reasonable | SSGA believed this proposal does not merit support as the company's disclosures pertaining to this item are reasonable | SSGA supported the proposal as the company's disclosures related to facility safety are reasonable. |
| 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" | Climate Change related proposal | Climate Change related proposal | Nature related shareholder proposal | Human Rights related proposal |

Trustee’s Report for the year ended 31 March 2025 (continued)

Implementation statement (continued)

Voting data (continued)

Significant votes (continued)

BNY Mellon, Real Return Fund – Table 1 of 1

| | Vote 1 | Vote 2 | Vote 3 | Vote 4 |
|--|---|---|--|---|
| Company name | Shell Plc | Amazon.com, Inc. | The Goldman Sachs Group, Inc. | |
| Approximate size of Fund's holding as at the date of the vote (as % of portfolio) | 1.8% | 1.4% | 0.9% | |
| Summary of the resolution | Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement. | Commission a Third Party Audit on Working Conditions | Report on Clean Energy Supply Financing Ratio | Report on Pay Equity |
| How BNYM voted | Against | For | For | For |
| Rationale for the voting decision | BNY did not support a shareholder proposal for a report on GHG (greenhouse gas) emission-reduction targets aligned with the Paris Agreement as they believed the company has disclosed enough information for shareholders to assess the related risks. | BNY voted for the shareholder proposal requesting a third-party audit on working conditions as they consider it to add value for shareholders at this stage. | BNY supported a shareholder proposal asking for a report on clean energy supply financing ratio as they believe the ratio will help shareholders assess how the bank is capitalising on clean energy opportunities and aligning itself with the net zero by 2050 pathway. | BNY supported a shareholder proposal asking for a report on pay equity as the requested adjusted and unadjusted median pay gap statistics may allow shareholders to evaluate and measure the company's progress towards reducing pay inequities more fully. |
| Outcome of the vote | Fail | Fail | Fail | Fail |
| Implications of the outcome | While BNY do find some merits to the proponent's asks and legitimate concerns, aligning Scope 3 targets at Shell to a 1.5 degree scenario would mean a significant loss of customers to competitors. BNY believe such a decision is best in the hands of management, and the disclosure of a partial Scope 3 target shows some responsiveness from the company to their concerns, tackling mainly the emissions it directly has control of. | BNY consider the issue of working conditions material to the company, and the conclusion of an audit would help the board understand potential shortcomings and respond adequately to shareholder concerns. | BNY deemed this vote to be material as climate transition is a risk (and opportunity as well) for the bank. The remit of this proposal also aligns with shareholder's interests. The ask of the proposal is to disclose a clean energy financing to fossil fuel financing ratio to assess financing the clean energy transition. A clean energy financing ratio by banks would provide investors with a complete and more accurate figure to evaluate a bank's alignment with their net-zero goal. | BNY deemed this vote to be significant as, in their view, the requested adjusted and unadjusted median pay gap statistics should help measure the company's progress towards reducing pay inequities in detail. This proposal should also help assess if pay inequity on top of unequal access to opportunity, might be one of the reasons behind recent departures of senior women leaders from the bank. BNY will continue to highlight their stance on this issue through our voting action. |
| Criteria on which the vote is considered "significant" | As a significant GHG emitter, it is critical for Shell to have a credible transition plan | The issue of working conditions is a material risk to understand and reign in for the company. | Significant shareholder support | Significant shareholder support |

Trustee’s Report for the year ended 31 March 2025 (continued)

Implementation statement (continued)

Voting Data (continued)

Significant votes (continued)

LGIM Future World Global Equity Index Fund – Table 1 of 2

| | Vote 1 | Vote 2 | Vote 3 | Vote 4 |
|--|---|--|--|--|
| Company name | Amazon.com, Inc. | Broadcom Inc.. | UnitedHealth Group Incorporated | Bank of America Corporation |
| Approximate size of Fund's holding as at the date of the vote (as % of portfolio) | 1.8% | 1.0% | 0.7% | 0.5% |
| Summary of the resolution | Report on Customer Due Diligence | Elect Director Henry Samueli | Elect Director John Noseworthy | Report on Clean Energy Supply Financing Ratio |
| How BNYM voted | For | Against | Against | For |
| Rationale for the voting decision | <p>LGIM voted against this proposal as enhanced transparency over material risks to human rights is key to understanding the company's functions and organisation. While the company has disclosed that they internally review these for some products and has utilised appropriate third parties to strengthen their policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic.</p> | <p>LGIM voted against this proposal as the company is deemed to not meet minimum standards with regard to climate risk management.</p> | <p>LGIM voted against this proposal as LGIM expects a company to have at least one-third women on the board.</p> | <p>LGIM voted for this proposal as they believe that banks and financial institutions have a significant role to play in shifting financing away from 'brown' to funding the transition to 'green'. LGIM expects the company to be undertaking appropriate analysis and reporting on climate change matters, as they consider this issue to be a material risk to companies.</p> |
| Outcome of the vote | Fail | Pass | Pass | Fail |
| Implications of the outcome | LGIM will continue to engage with our investee companies, publicly advocate our position on issues and monitor company and market-level progress. | | | |
| Criteria on which the vote is considered "significant" | Human Rights related proposal | Climate Change related proposal | Human Rights related proposal | Climate Change related proposal |

Trustee’s Report for the year ended 31 March 2025 (continued)

Implementation statement (continued)

Voting Data (continued)

Significant votes (continued)

LGIM Future World Global Equity Index Fund – Table 2 of 2

| | Vote 5 | Vote 6 | Vote 7 | Vote 8 |
|--|---|---|---|---|
| Company name | Netflix, Inc. | The Goldman Sachs Group, Inc. | Intuit Inc. | Chipotle Mexican Grill, Inc. |
| Approximate size of Fund's holding as at the date of the vote (as % of portfolio) | 0.3% | 0.3% | 0.2% | 0.1% |
| Summary of the resolution | Elect Director Jay C. Hoag | Report on Clean Energy Supply Financing Ratio | Elect Director Eve Burton | Elect Director Brian Niccol |
| How BNYM voted | Against | For | Against | Against |
| Rationale for the voting decision | LGIM voted against this proposal as LGIM expects a company to have at least one-third women on the board. | LGIM voted for this proposal as they believe that banks and financial institutions have a significant role to play in shifting financing away from 'brown' to funding the transition to 'green'. LGIM expects the company to be undertaking appropriate analysis and reporting on climate change matters, as they consider this issue to be a material risk to companies. | LGIM voted against this proposal as LGIM expects a company to have at least one-third women on the board. | LGIM voted against this proposal as the company is deemed to not meet minimum standards with regard to LGIM's deforestation policy. |
| Outcome of the vote | Pass | Fail | Pass | Pass |
| Implications of the outcome | LGIM will continue to engage with our investee companies, publicly advocate our position on issues and monitor company and market-level progress. | | | |
| Criteria on which the vote is considered "significant" | Human Rights related proposal | Climate Change related proposal | Human Rights related proposal | Nature related proposal |

Trustee's Report for the year ended 31 March 2025 (continued)

Implementation statement (continued)

Fund level engagement

The investment managers 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, SSGA and Insight 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 more limited for the Scheme's Liability Driven Investments, namely the bespoke pooled mandate held with Insight, due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

| Manager | BNY Mellon | | LGIM | SSGA | Insight | |
|---|-----------------------------|---------------------------------------|--------------------------|--|---|------------------------|
| Fund name | BNY Mellon Real Return Fund | Future World Global Equity Index Fund | Sterling Liquidity Fund* | International (Developed 100% Hedged) Screened Index Equity Sub-Fund | Insight bespoke pooled Buy and Maintain Bond sub-fund | Insight Liquidity Fund |
| No. of entities engaged on behalf of the holdings in this fund in the year | 10 | 1,278 | 20 | 587 | 63 | 5 |
| No. of entities engaged at a firm level in the year | 38 | | 4,210 | 1,095 | 567 | |

*Data as at 31 December 2024 given availability of information at point of issue.

The data below is a summary of BNY, State Street, LGIM and Insight's global engagement at a firm level for the year to 31 March 2025.

| Manager | SSGA | LGIM | Insight |
|--|-------|-------|---------|
| Number of companies engaged | 1,095 | 4,210 | 567 |
| Number of engagements on environmental topics | 630 | 3,971 | 399 |
| Number of engagements on governance topics | 1,454 | 330 | 164 |
| Number of engagements on social topics | 952 | 647 | 172 |

Examples of engagements undertaken with holdings in the funds

SSGA's Asset Stewardship program has three principles which is focuses engagement around:

- Effective Board Oversight
- Disclosure
- Shareholder Protection

LGIM's top engagement topics as at the year-end include:

- Climate
- Nature
- Peoples
- Health
- Governance
- Digitisation

Insight believes effective stewardship includes taking clients' needs into account and working for the benefit of all stakeholders. Given Insight's business focus on risk management, liability driven investment (LDI) and fixed income, for clients with very long-term investment horizons, their activity looks different when compared to the activity of many of their peers in the investment management industry, which focus largely on equities. Insight aim for transparency across all activities and collaborate with stakeholders where they believe they can maximise the impact of engagements.

Trustee's Report for the year ended 31 March 2025 (continued)

Implementation statement (continued)

Examples of engagement activity undertaken over the year to 31 March 2025

State Street

Nestlé SA, Climate change and nature related engagement

SSGA engaged with Nestlé SA ("Nestle") in Q4 2024 as part of their engagement campaigns on Climate and Nature-related Risks in the Food Value Chain and Climate Transition Plan Disclosure. They discussed the company's nature-related disclosures and the company's strategy related to regenerative agriculture, deforestation and water management. They also discussed the company's climate-related disclosures and transition strategy including its approach to capital allocation and addressing livestock methane emissions in the dairy supply chain.

SSGA discussed Nestle's strategy toward sourcing 50% of key ingredients by 2030 from farmers adopting regenerative agricultural practices which include protecting soil health and water quality, improving biodiversity, and increasing livestock integration and diverse cropping systems. The company is collaborating with farmer associations, industry peers, and other stakeholders to pilot regenerative agriculture projects and scale up sustainable farming practices. The company shared some of the challenges facing the industry with monitoring and measuring performance of regenerative agriculture practices, including harmonizing commodity-specific methodologies for verifying soil carbon sequestration.

Dairy represents Nestlé's largest source of Scope 3 emissions. During the engagement, Nestlé discussed its approach to addressing livestock methane emissions with emissions reduction opportunities achieved through livestock efficiencies such as increasing per-cow milk production. The company is investigating additional approaches for feed and manure management, including working with value chain partners to explore feed additives to reduce methane emissions. The company has disclosed progress on engaging dairy suppliers to collect emissions data and to identify solutions for managing emissions. SSGA's engagement with Nestlé and other companies in the food and agriculture value chain helps SSGA to identify and understand best practices for managing for climate and nature related risks and opportunities in relevant industries.

BNY Mellon

Zomato, Human rights related engagement

BNY Mellon note that employee social welfare and labour practices are a key management metric to monitor given the company's business model. The manager notes that a disclosure of a cap on hours driven and metrics evaluated can provide investors with the ability to see how these are being managed over time, giving greater comfort on the company's human capital management practices.

With increased pressure to shorten delivery times in the food delivery business, and the quick commerce business being high margin and needing high driver engagement and efficiency, BNY Mellon believe is an increased pressure on Zomato delivery drivers to deliver more in a shorter time. The company is materially exposed to this risk despite showing signs of proactively managing it. While the company discloses some information, the level is not sufficient in the manager's opinion to completely comprehend the risk around human capital management.

The company monitors driver behaviour and is introducing telemetry devices that would allow it to consider driver behaviour, and they are continuing with the efforts to increase safety education.

There is no hard cap on the number of hours a driver does per day, despite the company assuring BNY Mellon that on average a driver only works 4-5 hours per day as a revenue complement. Such a cap would be a good practice and limit the risk of accidents due to driver fatigue.

BNY Mellon would like the company to implement several initiatives to monitor driver road behaviour and safety, and work with the government and the ILO to shape the labour rights of Indian gig economy workers in the future. A hard cap and consequent enforcement would send a clear signal that this risk is managed by the company to its best of its ability.

BNY Mellon engaged with Zomato to understand the company's response to questions around employee social welfare as it was deemed a material issue. BNY Mellon is one of the few investors who engage with the company on the topic.

This first meeting allowed the establishment of dialogue in a difficult EM context, the setting of one engagement objective, and questions for their next meeting with the company scheduled in 2025.

Trustee's Report for the year ended 31 March 2025 (continued)

Implementation statement (continued)

Examples of engagement activity undertaken over the year to 31 March 2025 (continued)

BNY Mellon (continued)

Given BNY Mellon's current engagement with the company, there is no escalatory action. As such, BNY Mellon has voted in favour of management at recent AGMs.

LGIM

Platform for Living Wage Financials collaboration, Compensation related engagement

The Platform for Living Wage Financials (PLWF) is a collective engagement group of 24 financial institutions that encourages, supports, and monitors investee companies to enable living wages and living incomes in global supply chains in the garment, food agriculture and food retail sectors. Collectively, the Group has €7 trillion of assets under management. The group assesses 31 garment companies and 22 companies within the food agriculture and food retail sector.

LGIM is a co-chair of the food agriculture and retail group, and participates in the garment working group. Each investor in the Group is responsible for leading engagements with certain companies. As Co-Chair, LGIM attended the Platform for living wage annual conference which was attended by members, companies, NGOs and academics. LGIM addressed the conference on the findings of the food retailers' assessments carried out during 2024, looking at the companies' policies and practices on the living wage for their own employees and for workers within their supply chains. Additionally, LGIM provided guidance to companies on where improvements were needed to raise their scores.

Of the companies assessed, only one garment manufacturer reached the highest category as 'leading'; from the food agriculture/retail sector, only one reached the second highest category of 'advancing'. While LGIM led the engagement with a number of companies alongside the PLWF, these companies are not ones that LGIM have been engaging with. In LGIM's research and analysis, they noted that more companies appear to have policies on living wages for workers within their supply chains than they have for their own employees.

Insight

Wells Fargo & Co, Climate change related counterparty engagement

Wells Fargo & Co is one of the largest US banks and diversified community-based financial services company, with a significant global presence. Wells Fargo responded to Insight's initial counterparty questionnaire in 2022 but was unresponsive to requests for more detailed engagement. The bank did not respond to the 2024 questionnaire and was unresponsive, initially, to engagement requests. Insight escalated this when Wells Fargo's Insight Prime ESG rating was downgraded to a worst in class rating.

Following the Insight Prime ESG rating downgrade, Insight held two engagements with Wells Fargo, one in late 2024 and the other occurring in Q1 2025. The focus of the first engagement was to discuss the issues with the bank's poor Prime ESG rating. The objective of the Q1 2025 engagement was to gain clarity on some of the Wells Fargo's actions that indicate it is deprioritising environmental and social risk management. For example, Wells Fargo withdrew from the Net Zero Banking Alliance (NZBA). Its environmental and social impact frameworks reference the Equator Principles, from which Wells Fargo also withdrew in early 2024.

Regarding the withdrawal from the NZBA, Insight asked Wells Fargo for its rationale and to clarify the impact on its decarbonisation strategy. Wells Fargo offered that it originally joined the NZBA to share ideas with its peers on the development of decarbonisation models and strategies. Wells Fargo stated membership provided marginal benefits at the beginning, but it did not take long for antitrust lawyers to prevent communication between banks around this type of collaboration and several environmental finance forums became subject to greater scrutiny in the US. In addition, Wells Fargo stated 17 State Attorney Generals have pursued the bank and other financial institutions for their work with NZBA and deemed it collusive. Wells Fargo mentioned high legal expense causing the issuer to struggle with balancing legal battles and supporting communities.

For these reasons, Wells Fargo stated it feels leaving the NZBA should not be taken as a sign of weaker commitment but feel the legal construct of the NZBA is not fit for purpose. Wells Fargo reiterated it remains focused on net zero targets and development but is taking a client-by-client approach based on client fundamentals. Wells Fargo could not confirm how this would impact disclosures going forward.

Trustee's Report for the year ended 31 March 2025 (continued)

Implementation statement (continued)

Examples of engagement activity undertaken over the year to 31 March 2025 (continued)

Insight (continued)

On its environmental and social impact framework and the Equator Principles, Insight asked Wells Fargo if its environmental and social risk management due diligence approach remains in line with the standards of the Equator Principles. Wells Fargo believes its current approach aligns with the same standard. While the references to the Equator Principles are no longer mentioned on Wells Fargo websites, Wells Fargo stated it has preserved all the people and due diligence requirements within its process involved with aligning to those principles and do not envision this changing. Wells Fargo stated it follows the risk management aspects of the Equator Principles highly.

The engagement with Wells Fargo allowed us to gain access to senior stakeholders in the bank's ESG programme. Despite the withdrawal from the Equator Principles and NZBA, the message from the engagement was that the bank's ambition remains unchanged. However, inconsistent messaging from different members of the ESG team was noted (across the two engagements conducted in 2024 and 2025). Insight sent Wells Fargo a list of recommendations the expect the bank to implement during the next year which would help demonstrate its continued commitment to sustainability. Restrictions on Wells Fargo remain given the worst in class Insight Prime ESG rating.

Please note, with regards to the LDI portfolio, due to the nature of the assets held, Insight don't engage with issuers the same we would in a credit mandate. However, Insight engages with counterparties as shown in this example.

**Prepared by the Trustee of the B&CE Benefits Scheme
June 2025**

Trustee's Report for the year ended 31 March 2025 (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, set out below, which accompany 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 31 July 2025 and signed on its behalf by:



Trustee Director
31 July 2025

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 schedules of contributions to the Building and Civil Engineering Benefits Scheme in respect of the Scheme year ended 31 March 2025 which is set out on page 25.

In our opinion contributions for the Scheme year ended 31 March 2025 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid from 1 April 2024 until 1 December 2024 at least in accordance with the schedule of contributions certified by the actuary on 23 November 2021 and from 2 December 2024 until 31 March 2025 at least in accordance with the schedule of contributions certified by actuary on 2 December 2024.

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 schedules 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 23, 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 schedules of contributions.

It is our responsibility to provide a statement about contributions paid under the schedules 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

12 August 2025

Summary of Contributions Payable for the year ended 31 March 2025

The Trustee's Summary of Contributions forms part of the Trustee's Report.

The Trustee's responsibilities with regards to this Trustee's Summary of Contributions are set out in the Statement of Trustee's responsibilities in respect of contributions on page 23.

During the year, the contributions payable to the Scheme under the schedule of contributions certified by the actuary on 23 November 2021 and 2 December 2024 were as follows:

31 March 2025

£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:



Trustee Director

31 July 2025

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 2025 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 45.

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 2025 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.
- 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 Schedules of Contributions in our statement about contributions on page 24 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 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 23, 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

12 August 2025

Fund Account for the year ended 31 March 2025

| | Note | 2025 Main Fund £000 | 2025 AVC Fund £000 | 2025 Total £000 | 2024 Main Fund £000 | 2024 AVC Fund £000 | 2024 Total £000 |
|---|------|------------------------------|-----------------------------|-----------------------|------------------------------|-----------------------------|-----------------------|
| Benefits | 3 | (29,900) | (1,099) | (30,999) | (25,473) | (974) | (26,447) |
| Transfers to other plans | 4 | (124) | (2,070) | (2,194) | (170) | (2,107) | (2,277) |
| Administrative expenses | 5 | (3,892) | - | (3,892) | (4,037) | - | (4,037) |
| Net withdrawals from dealings with members | | (33,916) | (3,169) | (37,085) | (29,680) | (3,081) | (32,761) |
| Net returns on investments | | | | | | | |
| Investment income | | 643 | - | 643 | - | - | - |
| Change in market value of investments | 6 | 15,570 | (2,284) | 13,286 | 23,404 | 2,698 | 26,102 |
| Investment management expenses | 7 | (650) | (21) | (671) | (690) | (3) | (693) |
| Net return on investments | | 15,563 | (2,305) | 13,258 | 22,714 | 2,695 | 25,409 |
| Net decrease in the Fund | | (18,353) | (5,474) | (23,827) | (6,966) | (386) | (7,352) |
| Transfer between sections | 16 | (4,076) | 4,076 | - | - | - | - |
| Opening net assets | | <u>529,901</u> | <u>40,630</u> | <u>570,531</u> | <u>536,867</u> | <u>41,016</u> | <u>577,883</u> |
| Closing net assets | | <u>507,472</u> | <u>39,232</u> | <u>546,704</u> | <u>529,901</u> | <u>40,630</u> | <u>570,531</u> |

The notes on pages 31 to 46 form part of these Financial Statements.

Statement of Net Assets (Available for Benefits) as at 31 March 2025

| | Note | 2025 Main Fund £000 | 2025 AVC Fund £000 | 2025 Total £000 | 2024 Main Fund £000 | 2024 AVC Fund £000 | 2024 Total £000 |
|--|------|------------------------------|-----------------------------|-----------------------|------------------------------|-----------------------------|-----------------------|
| Investment assets | | | | | | | |
| Pooled investment vehicles | 8 | 507,098 | 38,375 | 545,473 | 530,584 | 39,984 | 570,568 |
| Cash | | 33 | - | 33 | - | - | - |
| Accrued income | | 79 | - | 79 | - | - | - |
| Total net investments | | 507,210 | 38,375 | 545,585 | 530,584 | 39,984 | 570,568 |
| Current assets | 14 | 2,782 | 928 | 3,710 | 2,073 | 805 | 2,878 |
| Current liabilities | 15 | (2,520) | (71) | (2,591) | (2,756) | (159) | (2,915) |
| Net assets available for benefits | | 507,472 | 39,232 | 546,704 | 529,901 | 40,630 | 570,531 |

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 and 5 of the Annual report and these Financial Statements should be read in conjunction with this report.

The notes on pages 31 to 46 form part of these Financial Statements.

The Financial Statements were approved by the Trustee on 31 July 2025 and signed on its behalf by:



Trustee Director

31 July 2025

Notes to the Financial Statements for the year ended 31 March 2025

1. 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 additional 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.

2. 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 have left the Scheme. They are 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 are 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 2025 (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, expenditure and changes in market value

Investment income relating to pooled investment vehicles is accounted for when declared by the investment manager. Income from cash and short-term deposits is accounted for on an accruals basis.

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 are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days, are included at the last price provided by the manager at or before the year end.
- 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 2025 (continued)

| | 2025 Main Fund £000 | 2025 AVC Fund £000 | 2025 Total £000 | 2024 Main Fund £000 | 2024 AVC Fund £000 | 2024 Total £000 |
|---|------------------------------|-----------------------------|-----------------------|------------------------------|-----------------------------|-----------------------|
| 3. Benefits | | | | | | |
| Lump sum retirement benefits | 28,117 | 965 | 29,082 | 23,607 | 853 | 24,460 |
| Death benefits | 1,783 | 134 | 1,917 | 1,866 | 121 | 1,987 |
| | 29,900 | 1,099 | 30,999 | 25,473 | 974 | 26,447 |
| | | | | | | |
| | 2025 Main Fund £000 | 2025 AVC Fund £000 | 2025 Total £000 | 2024 Main Fund £000 | 2024 AVC Fund £000 | 2024 Total £000 |
| 4. Transfers to other plans | | | | | | |
| Individual transfers out to other plans | 124 | 2,070 | 2,194 | 170 | 2,107 | 2,277 |
| | | | | | | |
| | 2025 Main Fund £000 | 2025 AVC Fund £000 | 2025 Total £000 | 2024 Main Fund £000 | 2024 AVC Fund £000 | 2024 Total £000 |
| 5. Administrative expenses | | | | | | |
| Administration fees | 2,624 | - | 2,624 | 2,823 | - | 2,823 |
| Regulatory fees | 1,022 | - | 1,022 | 1,081 | - | 1,081 |
| Actuarial fees | 213 | - | 213 | 102 | - | 102 |
| Audit fees | 33 | - | 33 | 31 | - | 31 |
| | 3,892 | - | 3,892 | 4,037 | - | 4,037 |

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 2025 (continued)

6. Reconciliation of net investments

| | Opening value at 1 Apr 2024 £000 | Purchases at cost £000 | Sales proceeds £000 | Change in market value £000 | Closing value at 31 Mar 2025 £000 |
|------------------------------|-------------------------------------|---------------------------|------------------------|--------------------------------|--------------------------------------|
| Main Fund | | | | | |
| Pooled investment vehicles | 530,584 | 604,900 | (643,956) | 15,570 | 507,098 |
| Cash | - | | | | 33 |
| Accrued income | - | | | | 79 |
| Total net investments | <u>530,584</u> | | | | <u>507,210</u> |
| AVC Fund | | | | | |
| Pooled investment vehicles | 39,984 | 68,022 | (67,347) | (2,284) | 38,375 |
| Total net investments | <u>570,568</u> | | | | <u>545,585</u> |

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 are not quantified.

The analysis of fees paid is as follows:

| | 2025 | 2025 | 2025 | 2024 | 2024 | 2024 |
|-------------------------------------|-------------------|------------------|---------------|-------------------|------------------|---------------|
| | Main Fund £000 | AVC Fund £000 | Total £000 | Main Fund £000 | AVC Fund £000 | Total £000 |
| Fees charged by investment managers | 434 | 21 | 455 | 426 | 3 | 429 |
| Performance and advisory fees | 216 | - | 216 | 264 | - | 264 |
| | <u>650</u> | <u>21</u> | <u>671</u> | <u>690</u> | <u>3</u> | <u>693</u> |

Notes to the Financial Statements for the year ended 31 March 2025 (continued)

8. Pooled Investment Vehicles

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

| | 2025 Main Fund £000 | 2025 AVC Fund £000 | 2025 Total £000 | 2024 Main Fund £000 | 2024 AVC Fund £000 | 2024 Total £000 |
|------------------------------------|------------------------------|-----------------------------|-----------------------|------------------------------|-----------------------------|-----------------------|
| Equity funds | 86,464 | 6,853 | 93,317 | 37,229 | 3,689 | 40,918 |
| Liquidity funds (cash) | 20,170 | 31,522 | 51,692 | 10,770 | 1,616 | 12,386 |
| Diversified growth funds | - | - | - | 29,163 | 3,475 | 32,638 |
| Qualifying Investment Funds (QIFs) | 400,464 | - | 400,464 | 453,422 | 31,204 | 484,626 |
| | 507,098 | 38,375 | 545,473 | 530,584 | 39,984 | 570,568 |

Qualifying Investor Funds (QIFs)

The Scheme was the sole investor in the individual Main Fund and AVC Fund QIFs held with L&G. Both the Main Fund and AVC Fund QIFs with L&G were fully disinvested in August 2024. The AVC Fund proceeds were reinvested into the L&G SLF, which is not a sole investor fund.

The Main Fund L&G QIF was reinvested in a similar QIF (LDI SOLUTIONS PLUS ICAV LDI ACTIVE 87 Fund) maintained by Insight, where the Scheme continues to be the sole investor. At the year end, the Main Fund had invested £400,464k in the Insight QIF.

The underlying assets and liabilities in the QIFs held at each year end were:

| | 2025 Main Fund £000 | 2025 AVC Fund £000 | 2025 Total £000 | 2024 Main Fund £000 | 2024 AVC Fund £000 | 2024 Total £000 |
|---|------------------------------|-----------------------------|-----------------------|------------------------------|-----------------------------|-----------------------|
| Assets | | | | | | |
| Pooled investment vehicles – liquidity fund | 79,515 | - | 79,515 | 352,386 | 31,204 | 383,590 |
| Bonds | 321,528 | - | 321,528 | 100,975 | - | 100,975 |
| Derivatives – swaps | 38 | - | 38 | 730 | - | 730 |
| Derivatives – futures | 78 | - | 78 | - | - | - |
| Derivatives – forward currency contracts | 1,592 | - | 1,592 | - | - | - |
| Cash and cash equivalents | 346 | - | 346 | 36,014 | - | 36,014 |
| | 403,097 | - | 403,097 | 490,105 | 31,204 | 521,309 |
| Liabilities | | | | | | |
| Derivatives – swaps | (2,607) | - | (2,607) | (36,683) | - | (36,683) |
| Derivatives – futures | (4) | - | (4) | - | - | - |
| Derivatives – forward currency contracts | (22) | - | (22) | - | - | - |
| | (2,633) | - | (2,633) | (36,683) | - | (36,683) |
| | 400,464 | - | 400,464 | 453,422 | 31,204 | 484,626 |

Notes to the Financial Statements for the year ended 31 March 2025 (continued)

8. Pooled investment vehicles (continued)

Qualifying Investor Funds (QIFs) (continued)

Objectives and policies for holding derivatives

Within the QIFs, the Trustee has authorised the use of derivative financial instruments by their investment managers as part of its investment strategy.

Swaps: 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 inflation swaps to extend the duration and match more closely with the Scheme's liability profile.

Futures: The Trustee manages the risk of cash held "out of the market" by entering into exchange traded index based future contracts which had an underlying economic value broadly equivalent to cash held.

Forward foreign exchange (FX): In order to maintain appropriate diversification of investments within the underlying investment portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using the forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level. The FX contracts are over-the-counter (OTC) contracts.

Derivative receipts and payments represent the realised gains and losses on forward contracts.

Outstanding swaps held in the QIF at the year end are summarised as follows:

| OTC Swaps | Number of contracts | Expires within | Notional principal | Fair value asset | Fair value liability |
|----------------------------|---------------------|----------------|--------------------|------------------|----------------------|
| | | | £000 | £000 | £000 |
| Interest rate swaps | | | | | |
| Pay floating for fixed | 1 | 1-3 months | 40,000 | 38 | - |
| Pay floating for fixed | 3 | 1 – 5 years | 25,900 | - | (28) |
| Pay floating for fixed | 12 | 5 – 15 years | 117,350 | - | (2,205) |
| Pay floating for fixed | 6 | 15 years + | 11,650 | - | (374) |
| Total | | | | <u>38</u> | <u>(2,607)</u> |

The outstanding swaps held in the QIF open at the end of 2024 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 | | | | <u>730</u> | <u>(36,683)</u> |

The notional principal of the swaps 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 £24.6m (2024: £36.0m) has been pledged to counterparties to cover risk of third party default and losses due to mark to market valuations on the swaps.

Notes to the Financial Statements for the year ended 31 March 2025 (continued)

8. Pooled investment vehicles (continued)

Qualifying Investor Funds (QIFs) (continued)

Outstanding futures held in the QIF at the year end are summarised as follows:

| Futures | Number of contracts | Expires within | Notional principal | Fair value asset | Fair value liability |
|-----------------------|---------------------|----------------|--------------------|------------------|----------------------|
| | | | £000 | £000 | £000 |
| Future - UK Long Gilt | 1 | 1-3 months | 1,008 | 78 | - |
| Future - Euro Bond | 1 | 1-3 months | 1,186 | - | (4) |
| Total | | | | <u>78</u> | <u>(4)</u> |

There were no futures open at the end of 2024.

Derivatives – FX open contracts summary

The Scheme had 10 open FX contracts at the year end, which are summarised as follows:

| Contract | Settlement Date | Number of Contracts | Currency Bought 000s | Currency Sold 000s | Asset Value at | Liability Value at |
|----------|-----------------|---------------------|----------------------|--------------------|----------------|--------------------|
| | | | | | 31 March 2025 | 31 March 2025 |
| | | | | | £000 | £000 |
| Forward | < 3 months | 5 | GBP 70,571 | USD 89,041 | 1,590 | (6) |
| Forward | < 3 months | 4 | USD 2,266 | GBP 1,761 | 2 | (9) |
| Forward | < 3 months | 1 | GBP 1,075 | EUR 1,290 | - | (7) |
| | | <u>10</u> | | | <u>1,592</u> | <u>(22)</u> |

There were no FX contracts open at the end of 2024.

Notes to the Financial Statements for the year ended 31 March 2025 (continued)

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.

| | 2025 | 2024 |
|---------------------------------|----------------------|----------------------|
| | £000 | £000 |
| Allocated to members | 30,585 | 30,786 |
| Not allocated to members | <u>7,790</u> | <u>9,198</u> |
| Market value at 31 March | <u>38,375</u> | <u>39,984</u> |

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

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, i.e. 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.

Notes to the Financial Statements for the year ended 31 March 2025 (continued)

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.

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 pooled investment holdings of each Fund are affected by direct and indirect financial risks:

| | Direct credit risk | Indirect credit risk | Indirect market risk | | | 2025 | 2024 |
|----------------------------|--------------------|----------------------|----------------------|---------------|-------------|----------------|---------|
| | | | Currency | Interest rate | Other price | £000 | £000 |
| Main Fund | | | | | | | |
| Pooled investment vehicles | Yes | Yes | Yes | Yes | Yes | 507,098 | 530,584 |
| AVC Fund | | | | | | | |
| Pooled investment vehicles | Yes | Yes | Yes | Yes | Yes | 38,375 | 39,984 |

For the purposes of the Main Fund, other investments in cash and accrued income are immaterial and not considered for investment risk disclosure purposes.

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.

Notes to the Financial Statements for the year ended 31 March 2025 (continued)

11. Investment risks (continued)

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:

- 82.5% 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 and inflation swaps, the purpose of which is to hedge against the impact of interest rate and inflation movements on long-term liabilities.
- 17.5% 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.

Credit risk

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

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 investment 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 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:

| | 2025 | 2024 |
|---------------------------------|----------------|---------|
| | £000 | £000 |
| Qualifying investment funds | 400,464 | 453,422 |
| Unit linked insurance contracts | 86,466 | 37,229 |
| Open ended investment company | - | 29,163 |
| Sterling liquidity fund | 20,168 | 10,770 |
| | 507,098 | 530,584 |

Notes to the Financial Statements for the year ended 31 March 2025 (continued)

11. Investment risks (continued)

Main Fund (continued)

Market risk: indirect currency risk

The Main Fund 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 significant exposure to overseas currency within the new Main Fund QIF with Insight as part pooled investment vehicles, and therefore the Trustee has permitted the use of forward foreign exchange contracts to mitigate the risk of indirect currency movement. Refer to note 8 for further details of the open FX contracts at the year end.

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 82.5% of the total investment portfolio, as part of the LDI strategy. Under this strategy, if interest rates fall, the value of LDI 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 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 79.0% of the total investment portfolio (2024: 87.5%).

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 17.5% of investments being held in return-seeking assets. At the year end, the diversified growth Fund represented 21% of the total investment portfolio (2024: 12.5%).

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 – direct risk exposures

As disclosed in note 8, the Main Fund is the sole investor and controls the QIFs held previously with L&G, and now managed by Insight. 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 QIFs.

The following table summarises the underlying exposures within the Main QIF (2025 - Insight; 2024 – L&G) and below is an assessment of risks that the Scheme is exposed to due to the nature of the holdings within the QIF.

| | 2025 | 2024 |
|--|----------------|----------|
| | £000 | £000 |
| Bonds | 321,528 | 100,975 |
| Derivative swaps - assets | 38 | 730 |
| Derivative swaps - liabilities | (2,607) | (36,683) |
| Liquidity Fund | 79,515 | 352,386 |
| Derivative futures – assets | 78 | - |
| Derivative futures – liabilities | (4) | - |
| Forward currency contracts – assets | 1,592 | - |
| Forward currency contracts – liabilities | (22) | - |
| Cash and cash equivalents | 420 | 36,014 |
| | 400,464 | 453,422 |

Notes to the Financial Statements for the year ended 31 March 2025 (continued)

11. Investment risks (continued)

Main Fund (continued)

Qualifying investment funds – direct risk exposures (continued)

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 direct interest rate risk because some of its investments are held in bonds, cash and interest rate swaps. The Scheme uses its LDI strategy to manage this risk. Under this strategy, if interest rates fall, the value of LDI 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 will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The QIF is subject to direct currency risk because some of its underlying investments within the fund 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 significant exposure to overseas currency within the new Main Fund QIF with Insight, and therefore the Trustee has permitted the use of forward foreign exchange contracts to mitigate the risk of indirect currency movement. Refer to note 8 for further details of the open FX contracts at the year end.

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:

- The asset allocation between the protection and surplus portfolios is rebalanced each year such that the value of members' accounts after the annual bonus declaration is held in the protection portfolio, and the remainder in the surplus portfolio.

Credit risk

The AVC Fund is subject to credit risk directly, through its investments held in the pooled investment vehicles, which are held in liquidity cash funds.

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 investment 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 2025 (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 arrangement is as follows;

| | 2025 | 2024 |
|---------------------------------|---------------|--------|
| | £000 | £000 |
| Qualifying investment funds | - | 31,204 |
| Unit linked insurance contracts | 6,853 | 3,689 |
| Open ended investment company | - | 3,475 |
| Sterling liquidity fund | 31,522 | 1,616 |
| | 38,375 | 39,984 |

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 were held in bonds through pooled vehicles, and cash via the sterling liquidity fund. Due to the disinvestment from the QIF, the exposure to indirect interest rate risk arises from cash exposures in the sterling liquidity fund. While there is an exposure to indirect interest rate risk within the sterling liquidity fund, the Trustee accepts this inherent indirect interest rate risk, acknowledging that there is a large amount of diversification of investment across investment-grade financial institutions within the pooled investments. To the extent that there was a significant increase in exposure to underlying holdings within the sterling liquidity fund, the Trustee would consider whether to hedge this risk.

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

Qualifying investment funds – direct risk exposures

As disclosed in note 8, the AVC Fund was the sole investor and controls the QIFs held previously with L&G. Accordingly, while reported above that the Scheme has indirect risk arising because this was a pooled investment vehicle, the fact that the Scheme controlled this fund meant that the Scheme is directly exposed to investment risks in relation to the assets and liabilities held within the QIFs.

However, as this was disinvested during the current year, and reinvested into a sterling liquidity fund that the Scheme does not control, the AVC Fund does not have any direct risk exposures in relation to the underlying assets and liabilities of the sterling liquidity fund.

Notes to the Financial Statements for the year ended 31 March 2025 (continued)

12. Concentration of investments

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

| | 2025 Value £000 | % | 2024 Value £000 | % |
|---|-----------------------|------|-----------------------|-------|
| Main Fund | | | | |
| LDI SOLUTIONS PLUS ICAV LDI ACTIVE 87 FUND CLASS B | 400,464 | 73.3 | - | - |
| FW Global Equity Index Fund GBP Hedged | 43,444 | 7.9 | - | - |
| FW Global Equity Index Fund | 43,019 | 7.9 | - | - |
| LGIM Liquidity Fund (within QIF) | - | - | 352,386 | 61.7 |
| Bonds (within QIF) | - | - | 100,975 | 17.7 |
| Cash and cash equivalents (within QIF) | - | - | 36,014 | 6.3 |
| Derivatives (within QIF) | - | - | (35,953) | (6.3) |
| International (Developed 100% Hedged) | | | | |
| ESG Screened Index Sub-Fund | - | - | 37,229 | 6.5 |
| BNY Mellon Real Return Fund Newton Inst Shares 2 (Acc) | - | - | 29,163 | 5.1 |

| | 2025 Value £000 | % | 2024 Value £000 | % |
|----------------------------------|-----------------------|-----|-----------------------|-----|
| AVC Fund | | | | |
| Insight Sterling Liquidity Fund | 31,522 | 5.8 | - | - |
| LGIM Liquidity Fund (within QIF) | - | - | 31,204 | 5.5 |

13. Employer-related investments

There were no employer-related investments during the year (2024: £nil).

14. Current assets

| | 2025 Main Fund £000 | 2025 AVC Fund £000 | 2025 Total £000 | 2024 Main Fund £000 | 2024 AVC Fund £000 | 2024 Total £000 |
|-------------------|------------------------------|-----------------------------|-----------------------|------------------------------|-----------------------------|-----------------------|
| Cash balances | 2,782 | 928 | 3,710 | 2,064 | 805 | 2,869 |
| Other receivables | - | - | - | 9 | - | 9 |
| | 2,782 | 928 | 3,710 | 2,073 | 805 | 2,878 |

Notes to the Financial Statements for the year ended 31 March 2025 (continued)

15. Current liabilities

| | 2025 Main Fund £000 | 2025 AVC Fund £000 | 2025 Total £000 | 2024 Main Fund £000 | 2024 AVC Fund £000 | 2024 Total £000 |
|----------------------------------|------------------------------|-----------------------------|-----------------------|------------------------------|-----------------------------|-----------------------|
| Tax deducted from benefits | 6 | 1 | 7 | 5 | 6 | 11 |
| Unpaid benefits | 833 | 51 | 884 | 1,109 | 152 | 1,261 |
| Accrued expenses | 1,465 | 19 | 1,484 | 1,370 | 1 | 1,371 |
| Amounts owed to Administrator | 216 | - | 216 | 272 | - | 272 |
| | 2,520 | 71 | 2,591 | 2,756 | 159 | 2,915 |

16. Transfer between sections

As part of the portfolio changes in the year a rebalancing was required between the Main Fund and the AVC Fund. This arose as a consequence of how each section previously reported their shared ownership of the QIF investment fund held with L&G, relative to the asset split at the time of this investment. The amount reported in the Fund Account as the transfer between sections of £4,076k represents the amount required to be rebalanced.

17. 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. This totalled £9.2m in 2025 (2024: £10.3m). The balance outstanding at the year-end was £nil (2024: £nil).

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

18. Contingencies and commitments

In the opinion of the Trustee, the Scheme had no contingent liabilities (2024: £nil) or commitments (2024: £nil) at 31 March 2025.

19. Events after the reporting period

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

20. Virgin Media Case

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 5 June 2025, the Department for Work and Pensions (DWP) announced that the Government will introduce legislation to give pension schemes affected by the Virgin Media ruling the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards.

Following the DWP's announcement, the Trustee does not expect the Virgin Media ruling to give rise to any additional liabilities and so the current funding levels have not been adjusted and continues to reflect the benefits currently being administered.

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 2024 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 29 November 2024.

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:

DocuSigned by:

C1793A8117184ED...

Name:

Chintan Gandhi

Date:

Dec 2, 2024

Qualification:

Fellow of the Institute and Faculty of Actuaries

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