

BACB PENSION SCHEME ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

TABLE OF CONTENTS

TRUSTEES AND ADVISERS	1
TRUSTEES' REPORT	2 – 5
STATEMENT OF TRUSTEES' RESPONSIBILITIES	6
INVESTMENT REPORT	7 – 10
SUMMARY OF CONTRIBUTIONS	11
INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS	12
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES	13 – 15
FUND ACCOUNT	16
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)	17
NOTES TO THE FINANCIAL STATEMENTS	18 – 26
REPORT ON ACTUARIAL LIABILITIES (forming part of the Trustees' Report)	27 – 28
SCHEDULE OF CONTRIBUTIONS	29
ACTUARIAL CERTIFICATE	30
MEMBERS' INFORMATION	31 – 32
IMPLEMENTATION STATEMENT (forming part of the Trustees' Report)	33 – 36

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

TRUSTEES AND ADVISERS

Principal Employer

British Arab Commercial Bank plc

Trustees

Company Nominated Trustees

L Fitzgerald (resigned on 1 September 2023)

J Perkin (appointed on 1 September 2023)

D Pyne (appointed on 1 September 2023)

Independent Trustee

BESTrustees Ltd (Chair of Trustees)

Represented by Andrew Cole

Member Nominated Trustees

R Abbott

T Sousa-Jajo

Secretary to the Trustees

Mercer Limited (until 31 May 2024)

First Actuarial LLP (from 1 June 2024)

Scheme Actuary

Elaine Wilson FIA (resigned 31 May 2024)

(Employed by Mercer Limited)

Marcos Abreu FIA (appointed 3 June 2024)

(Employed by First Actuarial LLP)

Independent Auditors

Cooper Parry Group Limited (from 21 May 2024)

Haines Watts (until 15 May 2024)

Scheme Administrators

Mercer Limited (until 31 December 2023)

Aptia UK Limited (from 1 January to 31 August 2024)

First Actuarial LLP (from 1 September 2024)

Investment Consultant

Mercer Limited (until 31 May 2024)

First Actuarial LLP (from 1 June 2024)

Investment Managers

Until January 2023:

Columbia Threadneedle Asset Management Limited

M&G Investment Management Limited

Schroders Investment Management Limited

Standard Life Investments Limited

Nordea Investment Funds S.A.

From January 2023:

Mobius Life Limited

Annuity Providers

Aviva plc

Partnership Life Assurance Company Limited

Rothesay Life plc

AVC providers

The Prudential Assurance Company Limited

The Standard Life Assurance Company

Bankers

RBS plc

Solicitors

Burges Salmon LLP

Address for enquiries

Human Resources Department

British Arab Commercial Bank Plc

8-10 Mansion House Place

London

EC4N 8BJ

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

TRUSTEES' REPORT

The Trustees of the BACB Pension Scheme ("the Scheme") are pleased to present the Trustees' Report and audited financial statements for the year ended 31 December 2023. The main purpose of this report is to provide general information about the Scheme. It is not meant to provide details of the way the Scheme works, nor specific personal data, as such information is contained in the Scheme booklet which is issued to all active members. The financial statements have been prepared and audited in accordance with the regulations made under Section 41 (1) and (6) of the Pensions Act 1995.

The Scheme is governed by the Trust Deed and Rules, the latest version of which is dated 22 December 2008. It is a 'registered pension scheme' for tax purposes and is therefore exempt from UK income and capital gains taxes. Any queries regarding the Scheme should be sent to the address on page 1.

Changes to the Scheme

There have been no changes to the benefit and contribution structure of the Scheme during the year ended 31 December 2023.

Appointment and Removal of Trustees and Management of the Scheme

In accordance with the Trust Deed, Trustees are appointed and may be dismissed by the Principal Employer. The Principal Employer has in place arrangements for at least one-third of the Trustees to be elected by the members and the remainder appointed by the Bank. These arrangements were reviewed in November 2015 and can only be changed with the agreement of the members.

The Trustees meet regularly to discuss the affairs of the Scheme and to deal with discretionary matters regarding benefits such as early retirement and the payment of death benefits. During the year the Trustees met five times. The Trustees who served during the Scheme year are listed on page 1.

Administration

During the year, the administration of the Scheme was carried out by Mercer Limited. Subsequent to the year end, the Mercer Limited UK pension administration business was acquired by Aptia UK Limited. As a result, Aptia UK Limited became the pension administration service provider for the Scheme, effective from 1 January 2024.

Following a service review, the Trustees decided to replace Aptia UK Limited with First Actuarial LLP with effect from 1 September 2024. Enquiries about the Scheme generally or about an individual's entitlement to benefits should be sent to the address shown at the beginning of this report.

Auditors

Following the acquisition of a number of Haines Watts offices by Cooper Parry Group Limited, Haines Watts resigned on the 15 May 2024 as Scheme auditor and Cooper Parry Group Limited has been appointed as Scheme auditor from the 21 May 2024. Haines Watts have confirmed that there are no circumstances connected with our resignation which they consider significantly affect the interests of the members or prospective members of, or beneficiaries under, the Scheme.

Actuary

Since the year end, with effect from 31 May 2024, Elaine Wilson, employed by Mercer Limited, resigned as Actuary to the Scheme and, with effect from 3 June 2024, Marcos Abreu FIA, employed by First Actuarial LLP, was appointed. The statement from the resigning actuary confirmed that there were no circumstances concerned with her resignation which significantly affects the interests of the members, prospective members or beneficiaries under the Scheme.

Pension Increases

In May 2023 the Trustees granted increases of RPI to a max 7.5% on all pensions payable. As RPI in the relevant period was 13.5%, members received an increase of 7.5%, in line with the Scheme Rules, and with the remaining 6.0% carried forward and will be awarded if RPI is below 7.5% in a future year. Deferred pensions were increased in line with statutory requirements.

TRUSTEES' REPORT (CONTINUED)

Contributions

At the start of the year, in accordance with the Schedule of Contributions certified on 14 December 2020, the Employer paid an annual contribution of £1,472,004, payable monthly with effect from 1 November 2020 until 30 April 2024. With the exception of miscellaneous expenses, all other administrative expenses were borne by Principal Employer.

However, following the finalisation of the 31 December 2022 actuarial valuation, a revised Schedule of Contributions was certified on 4 December 2023. The Employer will continue to pay an annual contribution of £1,472,000, payable monthly until 31 December 2024, the extension being due to an expense reserve being incorporated so that the Scheme will meet all future administrative expenses.

Transfer Values

Since 1 October 2008, the Trustees have been responsible for the calculation and verification of cash equivalents and initial cash equivalents in relation to transfer values in accordance with Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. No discretionary benefits were included in the calculations of transfer values.

Actuarial Review

The financial statements set out on pages 16 to 26 do not take into account the liabilities to provide pension benefits which fall due after the year end. These liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Scheme and the level of contributions payable. The most recent triennial valuation was carried out at 31 December 2022.

A summary of the funding position of the Plan at the last valuation, 31 December 2022, and updated as at 31 December 2023 was as follows:

	Actuarial Report 31.12.23 £'000s	Scheme Funding Valuation 31.12.22 £'000s
Present value of the past service liabilities for:		
Deferred pensioners	21,525	22,152
Pensioners	6,298	6,179
Annuitants	31,346	32,213
GMP Equalisation Reserve *	71	73
Expenses *	1,000	1,000
Total value of liabilities	60,240	61,617
Value of assets	59,368	58,903
Deficit	(872)	(2,714)
Funding level	99%	96%

**An allowance of 0.12% of the liabilities has been made for Guaranteed Minimum Pension (GMP) equalisation. Expense reserve of £1mil is added to Scheme funding basis.*

The formal actuarial certificate required by statute to be included in this Annual Report from the Scheme Actuary appears on page 30. In addition, as required by FRS 102, the Trustees have included the Report on Actuarial Liabilities on pages 27 to 28, which forms part of the Trustees' Report. The next actuarial valuation is due as at 31 December 2025.

Financial Development of the Scheme

The Fund Account on page 16 shows a net annual withdrawal arising from dealings with members of £1,292,977 (2022: £2,221,084) and a net return on Scheme investments for the year of £1,488,961 (2022: decrease of £29,826,935). The total net movement in Scheme assets for the year increased by £195,984 (2022: decreased by £32,048,019), giving net assets at year end of £59,539,605 (2022: £59,343,621). Further details of the financial development of the Scheme may be found in the audited financial statements on pages 16 to 26.

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

TRUSTEES' REPORT (CONTINUED)

Membership

Details of the membership of the Scheme as at 31 December 2023 are given below:

	2023	2022
PENSIONERS		
Opening balance	158	154
Members retiring during the year	5	5
Deaths	(7)	(4)
Commutation of pension	(1)	-
New beneficiaries	3	3
PENSIONERS AT THE END OF THE YEAR	158	158
MEMBERS WITH DEFERRED BENEFITS		
Opening balance	93	101
Adjustment	-	(1)
Retirements	(5)	(5)
Transfers out	(1)	(2)
MEMBERS WITH DEFERRED BENEFITS AT THE END OF THE YEAR	87	93
TOTAL MEMBERSHIP	245	251

Investment Strategy and Management of the Investments

The Trustees have a responsibility for ensuring that the Scheme's assets are properly invested and also that the return is achieved at an acceptable level of risk. The Trustees regularly review the performance being achieved by the investment managers, although the Trustees are not involved in the day to day investment decisions.

At the start of the year, the Scheme's investment assets were held with Columbia Threadneedle Asset Management Limited, Schroders Investment Management Limited, Standard Life Investments Limited, M&G Investment Management Limited and Nordea Investment Funds S.A. Following an investment strategy review, after considering appropriate investment advice, in January 2023, the Trustees transferred the assets to a Trustee Investment Policy (TIP) with Mobius Life Limited (Mobius). The assets were transferred in specie totalling £26,930,621.

The basis of the Trustees' strategy is to invest the Scheme's assets across "growth" funds comprising of assets such as diversified growth funds ("DGF") and multi asset credit funds ("MAC"), and "matching" funds comprising of assets such as absolute return bond funds ("ARBF"), corporate bonds, gilts, index-linked gilts and liability driven investment funds ("LDI"). The basis for the amount in growth (32%) and matching (68%) assets are set with regard to the overall required return objective of the Scheme's assets.

Custody

At the start of the year, the investment fund holdings were registered in the name of the Trustees, whilst the underlying investments represented by these holdings were held on the managers' behalf by third party custodians. Following the transfer to a Mobius Life platform in January 2023, their appointment foregoes the need for a custodian.

The Trustees have implemented mandates ensuring that the rights attaching to Scheme investments are acted upon. This includes active voting participation and a requirement to consider social, ethical and environmental issues when forming the Scheme's investment strategy. There were no employer related investments within the meaning of section 40 (2) of the Pensions Act 1995.

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

TRUSTEES' REPORT (CONTINUED)

Statement of Investment Principles

The Trustees produced a Statement of Investment Principles as required by section 35 of the Pensions Act 1995, with the latest version being signed in March 2023. This is reviewed formally every three years to coincide with the Actuarial valuation or other actuarial advice relating to statutory funding requirements, or earlier after any significant change in investment policy. This Statement forms the basis of investment decisions made on behalf of the Scheme and is used to monitor the performance of the investment managers. All investments held by the Scheme during the year were in accordance with the Statement. A copy of the Statement is available from the Trustees at the address below. In addition, the Trustees have invested in bulk annuity policies with Aviva plc, Partnership Life Assurance Company Limited and Rothesay Life plc.

Internal Dispute Resolution (IDR) Procedure

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

Any member with a complaint against the Plan or a query about their pension entitlement which they consider has not been satisfactorily addressed can use the "Internal Disputes Resolution Procedure" or, alternatively, they can refer the complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman can be contacted at 10 South Colonnade, Canary Wharf, E14 4PU.

Further Information

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

Any member with a complaint against the Scheme or a query about their pension entitlement which they consider has not been satisfactorily addressed can use the "Internal Disputes Resolution Procedure" or, alternatively, they can obtain free advice through The Money & Pensions Service (Money Helper) who can be reached at 120 Holborn, London, EC1N 2DT. If a member has a complaint which Money Helper is unable to resolve then they can ask for a ruling from the Pensions Ombudsman who can be reached at 10 South Colonnade, Canary Wharf, London, E14 4PU.

Any query about the Scheme, including requests from individuals for information about their benefits, should be addressed to:

The Trustees of the BACB Pension Scheme care of:

Human Resources Department
British Arab Commercial Bank Plc
8-10 Mansion House Place
London
EC4N 8BJ

This Trustees' Report was approved by the Trustees on 24.6.24 and signed on their behalf by:

A. J. Cole

Trustee

.....

Trustee

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustees. Pension Scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

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

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a 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 Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the Members.

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

INVESTMENT REPORT

Performance up to 31 December 2023

Fund Name	1 Year (%)		3 Year (% p.a.)		5 Year (% p.a.)	
	Fund	B'mark	Fund	B'mark	Fund	B'mark
Schroders Life Diversified Growth Fund	4.4	9.4	-0.1	9.0	3.4	7.7
Nordea Diversified Return Fund	4.3	8.1	3.0	5.4	4.0	4.7
M&G Total Return Credit Fund	9.9	8.6	4.1	5.8	5.1	5.1
CT Real Dynamic LDI Fund ¹	-8.2	-7.1	-56.6	-62.8	-34.5	-40.6
CT Sterling Liquidity Fund ²	4.6	4.6	-	-	-	-
LGIM AAA-AA-A Bonds All Stocks Index Fund ³	7.2	7.3	-5.1	-5.0	-0.3	-0.2
Payden Absolute Return Bond Fund ³	5.1	7.4	0.7	4.7	1.7	4.0
LGIM Index Linked Gilt Funds Portfolio ⁴	-	-	-	-	-	-
Total Scheme	1.8	3.5	-13.5	-15.4	-	-

Note:

¹ The Scheme invested in this Fund in February 2019 hence 5 year returns are shown for information purpose only.

² The Scheme invested in this Fund in August 2022 hence 3 year and 5 year returns are not shown.

³ The Scheme invested in this Fund in March 2023 hence 1 year, 3 year and 5 year returns are shown for information purpose only.

⁴ The Scheme invested in this Fund in March 2023 hence 1 year, 3 year and 5 year returns are not shown.

Investment Markets

The 12-month period to December 2023, started on a positive note despite the collapse of Silicon Valley Bank. Receding fear of recession, moderating inflation and enthusiasm over AI supported the developed market, particularly, the US market. Chinese economy saw robust gains at the start of Q1 after Chinese government loosened its COVID-19 restrictions, but the rebound started to cool off later due to subdued consumer spending and weak exports demand. After positive first two quarters of 2023, markets weakened in Q3 as the optimism that rates tightening would end soon faded. The comment from Fed suggesting a further rate hike before 2024, suppressed investors' enthusiasm. In October too, global equities continued to underperform. Geopolitical situation added to concern due to renewed conflict in the Middle East. November, however, has been a positive month, slowing inflation in the US and other regions raised hopes that interest rates may have reached their peak. Overall, Q4 has been a strong quarter as the Fed signalled that interest rate cuts may be on the way in 2024. Developed markets outperformed emerging markets amid ongoing worries in China's property sector. In summary, developed markets proved to be more resilient than emerging market over the quarter.

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

INVESTMENT REPORT (CONTINUED)

The second quarter of 2023 saw the orderly resolution of the second largest bank failure in US history and further distress among US regional banks, yet ongoing economic resilience, declining inflation, an equity rally led by eight stocks, and increased geopolitical tensions, including an attempted coup in Russia. Developed market central bank actions were mixed over the quarter, with some deciding to pause hiking interest rates, and others continuing to increase the policy rate, but rhetoric remained hawkish. Headline inflation continued to slow and core inflation fell in most regions apart from the UK. Inflation expectations also continued to decline over the quarter.

Developed market central bank actions were mixed in Q3 2023, with some deciding to pause hiking interest rates, and others continuing to increase policy rates. Headline inflation continued to slow and core inflation fell in most regions. Inflation expectations also continued to decline over the quarter. US GDP growth estimates appear to have accelerated in the second quarter of 2023. China's economy grew up, largely due to favorable base effects but overall, the momentum has been weak, indicating subdued demand. The Japanese economy saw a strongest growth since the last quarter of 2020, on the back of strong exports growth. GDP growth has been modest for the Eurozone in Q2 2023. UK GDP is estimated to have increased in the second quarter of 2023.

The fourth quarter of 2023 started off with low expectations owing to expectations of higher for longer long-term interest rates and renewed geopolitical tensions in the Middle East. Markets reached their lows near the end of October due to risk-off sentiment. However, in November, slowing inflation in the US and other regions raised hopes that interest rates may have peaked, thereby boosting investor confidence. Chinese policy makers remain committed to supporting the Chinese economy. Quarter on quarter GDP growth contracted in the eurozone in Q3 2023. UK GDP growth is estimated to have declined 0.1% in the third quarter of 2023.

Equities

On a year-on-year basis to 31 December 2023, Sterling returns for developed market equities were positive at 17.2%. Sterling's strength decreased equity returns for unhedged UK investors. Emerging markets (EMs) were also positive (2.9%) but underperformed relative to global equities.

Markets recovered in the first quarter of 2023, when a select few 'mega-cap' stocks led a market upwards, primarily driven by speculation surrounding AI-themed stocks. Nonetheless, in continuation with the last quarter of 2022 a more hawkish tone from central banks globally about the pathway for central bank rates was a headwind as equities softened in the third quarter of 2023. Within EMs, whilst there were positive returns in EM countries, such as Brazil and Taiwan, these only marginally offset the laggard of China, as it struggled following an initial rebound in late March and was a headwind to the overall index.

As we entered Q2 and Q3, equity markets in the US largely looked through the regional banking distress but the rally in the so-called magnificent seven (e.g. Nvidia & Microsoft) faded somewhat. Within, EM, the Chinese recovery underwhelmed, sentiment declined, and the property sector stresses remained. Global risk-off sentiment also had an impact on EM equities.

In Q4, markets were positive, supported by expectations that interest rate cuts may be approaching and expectations of a global soft landing. Within equities, developed markets outperformed emerging markets. Overall EM equities were strong, but EM is still negatively impacted by China, which continues to underperform due to ongoing stresses in the property sector.

Overall, the positive momentum throughout the year has been driven by lower inflation data, expectation of productivity growth from artificial intelligence (AI), positive earnings, and economic activity data.

Bonds

On a year-on-year basis to 30 December 2023, UK government bond returned 3.7%, while returns for UK corporate bonds were 8.6%. Inflation-linked bonds performed poorly over the year with 0.9%.

INVESTMENT REPORT (CONTINUED)

Bonds (continued)

In the start of 2023, the market stabilized from the political turmoil of the past quarter and focus was shifted to higher inflation and tight labour market similar to other developed economies. The Bank of England continue to raise rates. Bond yields fell slightly through Q1 2023 despite the BOE continuing to raise rates, with the base rate increasing 0.75%, finishing March 2023 at 4.25%. Like other DMs central bankers, the BOE continued to hike interest rates in the second and third quarter of 2023 as well, starting with a 25bps in May, then a 50bps surprise hike in June followed by 25bps in August. As of 30 September 2023, with bank rate reached 5.25% and 10yr yields in the UK surpassing the level witnessed during the gilt market crisis in 2022. In the last quarter of the year, the BoE did not raise rates but hold the restrictive policy stance. With consecutive inflation print misses along with spill over from the US, the market started pricing in the aggressive price cuts in 2024 and 10yr gilt yield has closed the year at 3.53% (c.10bps lower than start of 2023).

UK real yields rose over the nine months to September 2023 while in the final quarter of the year, yields began to fall and the ended the year at similar levels it had witnessed as it entered 2023. Real yields climbed as high as 0.9% in mid-August but in the fourth quarter fell to near back to near zero due to a rally in nominal duration which led to nominal yields falling sharply. Market-based measures of inflation, as measured by the 10-year break-even inflation rate, fell by 17bps over the 12-month period, reaching 3.5%. For context, the 5-year high for 10-year UK breakeven inflation was in March 2022, when market-based measures of inflation expectations were 4.64%.

Both investment grade and high yield credit spreads tightened over the 12-month period to December 2023. Lower rated credit tightening more than for higher rated credit. Credit outperformed equivalent duration government bonds.

Property

By the start of 2024, the UK property market has seen the strongest value corrections of all major real estate markets globally. The UK core real estate index has recorded c.24% of decline in valuations since the peak of the market in June 2022. Most of this correction in 2022, with the first half of 2023 showing reasonably stable values at the aggregate level, but in the last few months of 2023 valuation declines picked up as more core and long-income funds looked to sell product as a result of redemption queues and negative sentiment around non-prime offices intensified.

In the three months to November 2023, capital growth on the MSCI UK Monthly Property Index was negative for all sectors except for the industrial sector where values remained stable. The index showed a negative gross total return of -1.0%. While yields shifting out continue to have a negative bearing on total returns and capital growth (the equivalent yield has moved out from 5.1% in June 2022 to 6.9% in November 2023), both market rental growth and increasing income returns are having a positive impact on returns. Over the three months to November, market rental growth was 1.1%, driven by gains in the industrial and residential sectors.

Transaction volumes remain low compared to historic averages although year-on-year volumes increased for the first time in November (+17%), indicating that base effects are starting to feed through. Buying activity was strongest in the industrial sector, representing c.50% of total volumes in November. The tough circumstances in the capital markets, however, are significantly benefiting real estate debt funds, with the alternative lender market now accounting for a substantial portion of all real estate debt issued.

Equity Markets

At a global level, developed markets as measured by the FTSE World index, returned 17.2%. Meanwhile, a return of 2.9% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 15.7% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 7.9%. The FTSE USA index returned 19.9% while the FTSE Japan index returned 13.3%. The considerable outperformance of UK equities is attributed to the index's large exposure to oil, gas and basic materials.

Equity market total return figures are in Sterling terms over the 12-month period to 31 December 2023.

INVESTMENT REPORT (CONTINUED)

Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned 3.7%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of 1.6% over the year. Yields at the longer end of the nominal yield curve rose less than the shorter end but this was offset by the duration impact on the longer-dated gilt returns.

The yield for the FTSE Gilts All Stocks index rose over the year from 3.83% to 3.89% while the Over 15 Year index yield rose from 3.9% to 4.1%.

The FTSE All Stocks Index-Linked Gilts index returned 0.9% with the corresponding over 15-year index exhibiting a return of -4.3%. The combination of falling inflation expectations and increasing nominal yields led to a sharp rise in real yields and underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned 8.6%.

Bond market total return figures are in Sterling terms over the 12-month period to 31 December 2023.

Property

Over 12-month period to 31st December 2023, the MSCI UK All Property Index returned -0.1% in Sterling terms. Within three main sectors of the UK Property market, retail and the industrial sector recorded positive returns of 1.0% and 5.1% respectively, while office sectors recorded negative returns of -11.9% over the period.

Commodities

The price of Brent Crude Oil fell 8.5% from \$84.92 to \$77.69 per barrel over the one-year period. Over the same period, the price of Gold rose 13.8% from \$ 1815.64 per troy ounce to \$ 2065.45.

The S&P GSCI Commodity Spot Index returned -17.2% over the one-year period to 31 December 2023 in Sterling terms.

Currencies

Over the 12-month period to 31 December 2023, Sterling appreciated by 6.0% against the US Dollar from \$1.20 to \$1.27. Sterling appreciated by 13.2% against the Yen from ¥ 158.72 to ¥ 179.72. Sterling appreciated against the Euro by 2.4% from €1.13 to €1.15% per the same period.

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

SUMMARY OF CONTRIBUTIONS

Trustees' Summary of Contributions payable under the Schedules in respect of the Scheme year ended 31 December 2023

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees. It sets out the employer contributions payable to the Scheme under the Schedule of Contribution certified by the Scheme Actuary on 14 December 2020 for the period 1 January 2023 to 3 December 2023, and under the Schedule of Contributions certified by the Scheme Actuary on 4 December 2023 for the period 4 December 2023 to 31 December 2023. The Scheme Auditor reports on contributions payable under the schedules in the Auditor's statement about contributions.

Contributions payable under the Schedules in respect of the Scheme year		£
Employer:	Deficit funding	1,472,004
Total contributions payable per Note 4 to the financial statements (as reported by the Scheme Auditors)		1,472,004

Signed on behalf of the Trustees on 24.6.2024

A. J. Cole

Trustee

Trustee

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF THE BACB PENSION SCHEME

We have examined the Summary of Contributions to the BACB Pension Scheme in respect of the Scheme year ended 31 December 2023 which is set out in the Trustees' Report on page 11.

In our opinion, contributions for the Scheme year ended 31 December 2023 as reported in the Summary of Contributions and payable under the Schedules of Contributions have, in all material respects, been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 14 December 2020 for the period 1 January 2023 to 3 December 2023, and under the Schedule of Contributions certified by the Scheme Actuary on 4 December 2023 for the period 4 December 2023 to 31 December 2023.

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 on page 11 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 Trustees and the Auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our Report

This statement is made solely to the Scheme's Trustees, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work on contributions has been undertaken so that we might state to the Scheme's Trustees 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 and the Scheme's Trustees, as a body, for our work, for this statement, or for the opinions we have formed.



COOPER PARRY GROUP LIMITED

Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 27/06/2024

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BACB PENSION SCHEME

Opinion

We have audited the financial statements of the BACB Pension Scheme for the year ended 31 December 2023 which comprise the fund account, the statement of net assets and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon and our Auditor's statement about contributions. The Trustees are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BACB PENSION SCHEME

Other information (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 6, the Scheme's Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Our assessment focused on key laws and regulations the Scheme has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Pensions Act 1995 and United Kingdom Generally Accepted Accounting Practice.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme and how the Scheme is complying with that framework, including agreement of financial statement disclosures to underlying documentation and other evidence;
- obtaining an understanding of the Scheme's control environment and how the Scheme has applied relevant control procedures, through discussions and sample testing of controls;
- obtaining an understanding of the Scheme's risk assessment process, including the risk of fraud;
- reviewing Trustees' meeting minutes throughout the year; and
- performing audit testing to address the risk of management override of controls, including testing the appropriateness of journal entries and other adjustments made.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BACB PENSION SCHEME

Auditor's responsibilities for the audit of the financial statements (continued)

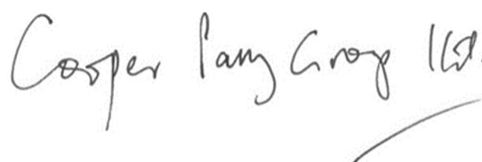
Whilst considering how our audit work addressed the detection of irregularities, we also considered the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

This report is made solely to the Scheme's Trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them 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's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



COOPER PARRY GROUP LIMITED

Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 27/06/2024

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	2022 £
CONTRIBUTIONS AND BENEFITS			
Employer contributions	4	1,472,004	1,472,004
Other income	5	6,385	-
		<u>1,478,389</u>	<u>1,472,004</u>
Benefits paid or payable	6	(2,622,244)	(2,465,726)
Payments to and on account of leavers	7	(148,122)	(1,227,362)
Sundry expenses	8	(1,000)	-
		<u>(2,771,366)</u>	<u>(3,693,088)</u>
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		<u>(1,292,977)</u>	<u>(2,221,084)</u>
INVESTMENT RETURNS			
Investment income	9	2,128,309	2,002,073
Investment management expenses	10	(24,569)	-
Change in market value of investments	11.1	(614,779)	(31,829,008)
NET RETURN ON INVESTMENTS		<u>1,488,961</u>	<u>(29,826,935)</u>
NET INCREASE/(DECREASE) IN THE FUND DURING THE YEAR		195,984	(32,048,019)
NET ASSETS OF THE SCHEME AT 1 JANUARY		59,343,621	91,391,640
NET ASSETS OF THE SCHEME AT 31 DECEMBER		<u>59,539,605</u>	<u>59,343,621</u>

The notes on pages 18 to 26 form an integral part of these financial statements.

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AT 31 DECEMBER 2023

	Note	2023 £	2022 £
INVESTMENT ASSETS			
Pooled investment vehicles	11.3	27,591,191	26,152,847
Insurance policies – annuities	11.4	31,346,000	32,343,000
AVC Investments	11.5	324,781	310,883
TOTAL INVESTMENTS		59,261,972	58,806,730
CURRENT ASSETS	12	303,850	555,061
CURRENT LIABILITIES	13	(26,217)	(18,170)
TOTAL NET ASSETS AT 31 DECEMBER		59,539,605	59,343,621

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. 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 does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on pages 27 and 28 and these Financial Statements should be read in conjunction with that Report.

The notes on pages 18 to 26 form an integral part of these financial statements.

These financial statements were approved by the Trustees on ... 24.6.2024 and were signed on its behalf by:

A.J. Gorb

Trustee

.....

Trustee

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements have been prepared on a going concern basis of accounting. In the opinion of the Trustees, no material uncertainty exists that may cast doubt on the Scheme's ability to continue as a going concern. The Trustees have considered the funding levels of the Scheme, the sponsoring employer's performance and the performance of investments. The Trustees believe the basis to be appropriate as they believe that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs for at least the next twelve months.

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the scheme is included in the Trustees' report. The Scheme's functional currency and presentational currency is pounds Sterling (£)

3 ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements.

3.1 Accruals concept

The financial statements have been prepared on an accruals basis, except as noted below.

3.2 Foreign currency translation

Foreign income is translated into sterling at the rate ruling on the date the income is received. Foreign currency investments are translated into sterling at the rate of exchange ruling at the year-end date.

3.3 Contributions

Contributions are accounted for in the period in which they fall due. Deficit funding, additional and members' additional voluntary contributions are accounted for in the period they are due under the Schedule of Contributions, in accordance with the agreement between the Trustees and the relevant employer.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

3.4 Benefits

Benefits are accounted for in the year in which the member notifies the Trustees of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retirement or leaving. The Trustees have secured annuities which fully provide the benefits for certain members of the Scheme.

3.5 Transfers to and from other schemes

Transfer values represent the amounts paid or received during the year for members who have left or joined the Scheme.

3.6 Valuation of investments

Investments are included at fair value.

The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

AVCs are stated at values supplied by the managers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.7 Valuation of investments (continued)

Annuities purchased in the name of the Trustees which fully provide the pension benefits for certain members are included in these Financial Statements at the amount of the related obligation, determined by using the most recent Scheme Funding valuation assumptions and methodology. The valuation of the annuitant policies has been carried out on an approximate basis by adjusting and updating the scheme funding valuation at 31 December 2022 (2022: 31 December 2019). In particular it is assumed that the annuitant policies in the name of the Trustees as at the valuation remain in force and have made no allowance for any membership movements. Annuity valuations are provided by the Scheme Actuary. Annuities have been issued by Aviva plc, Partnership Life Assurance Company Limited and Rothesay Life plc.

3.8 Investment income

Except for Nordea income which was received and reinvested, income generated by the pooled investment vehicles is not distributed, but is retained within the fund and reflected in the market value of the units. Interest receivable on cash deposits is accounted for as it accrues.

3.9 Significant judgements and estimates

Significant judgements and estimates - In applying the Scheme's accounting policies, the Trustees are required to make judgements, estimates and assumptions in determining the carrying amount of assets and liabilities. The Trustees' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the calculations were made and are based on member data, historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the revision is made, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

The following are key areas of estimation uncertainty:

Valuation of the secured annuity policies

The valuation, as explained more fully in Notes 3.7 and 11.4 to the financial statements, has been estimated at £31.3m (2022: £32.3m) for the secured annuity policies. The amount has been estimated by the Scheme Actuary based on a model used by Mercer which has been tailored for the pension scheme's circumstances. Such estimates may be subject to significant uncertainty.

4 CONTRIBUTIONS

	2023	2022
Employer's contributions	£	£
Deficit funding	1,472,004	1,472,004

At the start of the year, in accordance with the Schedule of Contributions certified on 14 December 2020, the Employer paid an annual contribution of £1,472,004, payable monthly with effect from 1 November 2020 until 30 April 2024.

However, following the finalisation of the 31 December 2022 actuarial valuation, a revised Schedule of Contributions was certified on 4 December 2023. The Employer will continue to pay an annual contribution of £1,472,000, payable monthly until 31 December 2024, the extension being due to an expense reserve being incorporated so that the Scheme will meet all future administrative expenses.

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 OTHER INCOME

	2023	2022
	£	£
Compensation	6,385	-

The above compensation relates to monies received from Mercer following the late payment of a member's benefit.

6 BENEFITS PAID OR PAYABLE

	2023	2022
	£	£
Pension payments	2,409,544	2,243,414
Commutations and lump sum retirement benefits	209,419	222,312
Lump sum death benefits	3,281	-
	2,622,244	2,465,726

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023	2022
	£	£
Individual transfers out to other schemes	148,122	1,227,362

8 SUNDRY EXPENSES

	2023	2022
	£	£
Compensation	1,000	-

The above compensation relates to monies paid to a member following the late payment of a member's benefit.

9 INVESTMENT INCOME

	2023	2022
	£	£
Annuity income	2,124,932	2,049,522
Income from pooled investment	2,364	11,420
Rebalancing costs	-	(59,076)
Interest on cash deposits	1,013	207
	2,128,309	2,002,073

10 INVESTMENT MANAGEMENT EXPENSES

	2023	2022
	£	£
Investment Management & Custody	24,569	-

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 INVESTMENTS

11.1 RECONCILIATION OF INVESTMENTS

Reconciliation of investments held at beginning and end of year:

	Value at 01 January 2023	Purchases at cost	Sales proceeds	Change in market value	Value at 31 December 2023
	£	£	£	£	£
Pooled investment vehicles	26,152,847	42,889,053	(41,819,032)	368,323	27,591,191
Insurance policies – annuities	32,343,000	-	-	(997,000)	31,346,000
AVC investments	310,883	-	-	13,898	324,781
	58,806,730	42,889,053	(41,819,032)	(614,779)	59,261,972

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Transaction costs are included in the cost of purchases and deducted from sales proceeds. Such costs are also taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable. The above purchases and sales include £26,930,621 in specie transfer of assets to Mobius Life in January 2023. They also include switches of £14,870,068 for Mobius Life.

11.2 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Scheme's net assets at 31 December:

	2023		2022	
	£	%	£	%
Bulk Annuity Insurance Policies	31,346,000	52.6	32,343,000	54.5
CT LDI Real Dynamic LDI Fund	7,244,789	12.2	11,201,756	18.9
L&G Life CN Corporate Bond - All Stocks Index Fund	4,941,695	8.3	-	-
Schroder Life Intermediated Diversified Growth Fund	3,337,963	5.6	5,001,487	8.4
Nordea 1 GBP Diversified Return Fund	3,260,918	5.5	7,274,639	12.3

11.3 POOLED INVESTMENT VEHICLES

	2023	2022
	£	£
Diversified Growth Funds	6,598,880	12,276,126
Bonds	20,745,658	13,640,792
Cash Funds	246,653	235,929
	27,591,191	26,152,847

11.4 BULK INSURANCE POLICIES

	2023	2022
	£	£
Bulk annuity policies	31,346,000	32,343,000

The Trustees hold bulk annuity policies from Aviva plc, Partnership Life Assurance Company Limited and Rothesay Life plc. These policies provide benefits of the members and so will perform in line with this portion of the Scheme's liabilities and are valued by the Scheme's Actuary.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.5 AVC INVESTMENTS

The AVCs are invested separately from the main investments in individual insurance policies and building society accounts with The Prudential Assurance Company Limited and The Standard Life Assurance Company. Members participating in these arrangements each receive an individual statement made up to 31 December or to 5 April confirming the amounts held to their account and any movements in the year.

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

	2023	2022
	£	£
The Prudential Assurance Company Limited	36,610	35,004
The Standard Life Assurance Company	288,171	275,879
	324,781	310,883

11.6 FAIR VALUE HIERARCHY

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

Level 1	The unadjusted quoted price for an identical asset in an active market
Level 2	Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3	Inputs are unobservable for the asset or liability

The pooled investment vehicles have all been included in level 2 as the pooled funds themselves are not exchange traded.

The AVC investments held with Prudential are unit-linked AVC funds, and have therefore been accounted within the level 2 tier. The AVC Investments held with Standard Life are valued using the single priced bonus interest rate which together with a basic interest rate, is broadly equal to the average yield on the underlying fixed interest investments in a with profit fund operated by the AVC provider. With profits funds are categorised as level 3 as they often rely on a number of unobservable (in the market) inputs, such as bonuses.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	Level 1	Level 2	Level 3	Total
	2023	2023	2023	2023
	£	£	£	£
Pooled investment vehicles	-	27,591,191	-	27,591,191
Insurance policies	-	-	31,346,000	31,346,000
AVC investments	-	36,610	288,171	324,781
	-	27,627,801	31,634,171	59,261,972

	Level 1	Level 2	Level 3	Total
	2022	2022	2022	2022
	£	£	£	£
Pooled investment vehicles	-	26,152,847	-	26,152,847
Insurance policies	-	-	32,343,000	32,343,000
AVC investments	-	35,004	275,879	310,883
	-	26,187,855	32,618,879	58,806,730

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.7 INVESTMENT RISKS

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

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

Market risk: this comprises the following elements:

- **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 of currency risk) whether those changes are caused by factors specific to the individual financial instrument of its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine their investment strategy after taking advice from a professional investment advisor. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustees manages investment risks, including credit risk and market risk, within agreed parameters which are set taking into account the Scheme's strategic investment objectives.

These investment objectives are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular review of the investment portfolio. Further information on the Trustees' approach to risk management, credit and market risk is set out below.

Investment Strategy

The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

The Trustees wish to ensure that they can meet their obligations to the beneficiaries both in the short and long term.

The Trustees recognise that the investment performance of the Scheme's assets will not usually have a direct impact on the members' benefits. The investments can have an indirect impact on the members' benefits if they alter the sponsoring employer's ability and/or willingness to continue to support the Scheme

With that in mind, the Trustees have set specific investment objectives regarding the manner in which the primary objective of meeting their obligations to the members is to be achieved:

- To pay the Scheme benefits as they fall due and avoid any reduction in benefits if possible
- To achieve and maintain a funding level of 100% on the on-going funding basis
- To minimise risk in achieving and maintaining a 100% funding level on the on-going funding basis subject to acceptable affordability
- To pay due regard to the interests of the sponsoring employer in relation to the funding of the Scheme.

The Trustees invest their assets in the following manner:

- 32.0% of assets have been invested into Growth Assets comprising Diversified Growth Funds and a Total Return Credit Fund.
- 68.0% of assets have been invested into Stabilising Assets comprising an LDI Fund, an Absolute Return Bond Fund, Corporate Bond fund and Index Linked Gilts.

The Trustees set the investment strategy taking into account considerations such as the strength of the employer covenant, the long-term liabilities and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles ("SIP") with details of any changes during the year included in the Trustees' report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.8 INVESTMENT RISKS (continued)**(i) Credit Risk**

To gain exposure to certain asset classes in a cost effective way (in both monetary and governance terms), the Scheme invests in pooled investment vehicles. Therefore, the Scheme is directly exposed to credit risk of these pooled investment vehicles. The value of assets invested in pooled funds and therefore directly exposed to credit risk as a result of this at year end was £27,591,191 (2022: £26,152,847).

The Scheme is subject to indirect credit risk due to bonds, OTC derivatives, repurchase agreements and cash held within pooled investment vehicles. The value of assets exposed indirectly to credit risk as a result of this at year end was £27,591,191 (2022: £26,152,847). This value includes pooled investment vehicles that have only a partial allocation to these asset classes. Some of the pooled investment vehicles may also undertake stock lending which will also introduce indirect credit risk.

In respect of the Trustees approach to managing credit risk arising from the various asset classes, we note the following positions at year end:

- The credit risk from Sovereign Government bonds held directly or indirectly is considered to be minimal. These assets are primarily held for risk management purposes.
- The credit risk from corporate (investment grade) bonds held directly or indirectly is mitigated by investing in a diversified mix of (predominantly) investment grade rated bonds. These assets are held for income and return generating as well as risk management purposes, and the expected return from these assets is considered appropriate for the associated risk.
- The credit risk from corporate (sub-investment grade) and other bonds held directly or indirectly is mitigated via diversification to minimise the impact of default by any one issuer. These assets are held for return generating purposes, and the expected return from these assets is considered appropriate for the associated risk.
- OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps and repurchase agreements is reduced by collateral arrangements. Credit risk also arises on forward currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade.
- Pooled liquidity funds will invest with a diversified range of institutions, which are at least investment grade credit rated, to mitigate credit risk.
- Pooled investment arrangements used by the Scheme comprise open-ended investment companies and unit-linked insurance contracts.

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environment in which the pooled fund manager operates and diversification of investments amongst a number of pooled arrangements. The Trustees carries out due diligence checks before appointing new-pooled investment managers. A summary of the pooled investment vehicles by type of arrangement is shown below.

Investment Type	2023 (£)	2022 (£)
Unit Linked Insurance Contracts	27,591,191	6,108,565
SICAV	-	8,606,577
FCP (Fonds communs de placement)	-	11,437,685
Total	27,591,191	26,152,827

Source: Investment Managers and Mercer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11.8 INVESTMENT RISKS (continued)**(ii) Currency risk**

The Scheme's assets are not subject to indirect currency risk as none of the Scheme's investments are held in overseas markets via pooled investment vehicles.

The Trustees do not currently have a currency hedging policy.

Note that the Diversified Growth Fund managers may from time to time take unhedged overseas investment positions in pursuit of growth opportunities or to reduce overall fund risk, although their neutral position is considered to be 100% Sterling.

(iii) Interest rate risk

The Scheme is subject to interest rate risk via its LDI, ARBF, MAC and DGF pooled investment holdings. The LDI strategy is set by the Trustee so as to provide an acceptable level of hedging against the interest rate and inflation risk inherent within the Scheme's liabilities.

If interest rates fall, the value of these assets will rise to help match a proportion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value (as will the actuarial liabilities) due to an increase in the discount rate. As at year end, the Trustees expect these assets to capture 95% (2022: 95%) of the change in actuarial liability value due to interest rate movements.

At the year end, the Scheme was exposed to indirect interest rate risk on 2023: £27,591,191 (2022: £26,152,847) of ARBF, DGF, LDI and Multi Asset Credit securities.

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes DGF held in pooled investment vehicles, as well as the index-linked bonds in the MAC and ARBF pooled investment vehicles, due to the inflation sensitive elements of the fund. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Other price risk also arises in the Real LDI pooled investment vehicles due to the inflation sensitive elements of these funds. However, inflation risk is also inherent in the Scheme's liabilities in the same way as interest rate risk, as described above. The Trustees similarly considers the net inflation risk when taking account of how the liabilities are valued.

At the year end, the Scheme's exposure to investments subject to indirect other price risk through its DGF, LDI, ARBF and MAC pooled investment vehicles was 2023: £27,591,191 (2022: £26,152,847).

12 CURRENT ASSETS

	2023	2022
	£	£
Cash balance	302,838	549,177
Other debtors	1,012	5,884
	303,850	555,061

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 CURRENT LIABILITIES

	2023	2022
	£	£
Unpaid benefits	19,990	18,170
Accrued expenses	6,227	-
	26,217	18,170

14 CONTINGENT LIABILITIES

As stated on page 27, these financial statements do not take account of liabilities to pay pensions and other benefits in the future. On this basis, and in the opinion of the Trustees, the Scheme has no contingent liabilities at the year end.

15 EMPLOYER RELATED INVESTMENTS

There were no employer related investments within the meaning of section 40 (2) of the Pensions Act 1995.

All contributions due to the Scheme during the year were paid in full within the timescale required by the Schedule of Contributions currently in force.

16 RELATED PARTY TRANSACTIONS

There were no transactions during the year outside the normal course of the Scheme's activities. Apart from deficit funding contributions the Scheme is now closed to future accrual and there isn't any contributions receivable in respect of individual Trustees.

The Trustees are also able to reclaim any reasonable expenses incurred in carrying out their duties. During the year, with the exception of miscellaneous expenses, all other administrative expenses were borne by the Principal Employer. However, since the year end, following the finalisation of the 31 December 2022 actuarial valuation, an expense reserve was incorporated so that the Scheme will meet all future administrative expenses.

17 GUARANTEED MINIMUM PENSIONS - GMP

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

Following on from the original judgment, a further High Court ruling on 20 November 2020 has provided clarification on the obligations for Trustees. This judgement focused on the GMP treatment of historic transfers out of members' benefits, an issue which had not been addressed in the 2018 GMP ruling. Under this ruling, Trustees are required to review historic transfer values paid from May 1990 to assess if any top up payment is required to be paid to the receiving scheme, to reflect members' rights to equalised GMP benefits.

Based on an initial assessment of the likely backdated amounts and related interest the Trustees do not expect these to be material to the financial statements and therefore this is a non-adjusting post balance sheet event. The Trustees are currently assessing the impact on the Scheme and agreeing the GMP Equalisation methodology. As noted in the Trustees' Report on page 3 a provision for GMP equalisation of 0.12% of the value of the Scheme liabilities was included in the Summary Funding Report as at 31 December 2022.

REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEES' REPORT)

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

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

The most recent triennial actuarial valuation of the Scheme effective as at 31 December 2022 showed that the accumulated assets of the Scheme represented 96% of the Scheme's technical provisions in respect of past service benefits; this corresponds to a deficit of £2,714,000 at the valuation date.

	£m's
The value of the technical provisions was:	61,617
The value of the assets at that date was:	58,903

If the plan had been discontinued and wound up at 31 December 2022 there would have been insufficient assets to buy out the accrued benefits through the purchase of annuity policies with an insurer. The estimated discontinuance (or wind up) funding level was 93%, corresponding to a shortfall of £4,428,000.

There has since been an updated valuation carried out with an effective date of 31 December 2023. This showed that the accumulated assets of the Scheme represented 99% of the Scheme's technical provisions in respect of past service benefits; this corresponds to a deficit of £872,000 at this date.

	£m's
The value of the technical provisions was:	60,240
The value of the assets at that date was:	59,368

The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the scheme in the future, such as the levels of investment returns and pay increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:

Method

The actuarial method to be used in the calculation of the technical provisions is the Defined Accrued Benefits Method.

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

Significant actuarial assumptions

Discount rate: calculated based on the Mercer Gilt Yield curve, plus 0.25% at each term.

Rate of inflation - Retail Prices Index (RPI): calculated based on the Mercer Gilt inflation curve at each term.

Revaluation of pensions in deferment: Elements which have future revaluation in line with RPI subject to a maximum of 5% per annum calculated as RPI inflation at each term subject to a maximum of 5% p.a.

Elements which have future revaluation in line with RPI subject to a maximum of 7.5% per annum calculated as RPI inflation at each term subject to a maximum of 7.5% p.a.

Pension increases:

Pension increases will be calculated using the Jarrow-Yildirim Methodology applying any application maximum and/or minimum rates to the RPI inflation assumption. The model is applied to the RPI inflation for each term in the curve.

Mortality:

- Pre-retirement: No allowance.
- Post retirement: 90% of the mortality rates in the standard tables S3PMA for males and 92% of the mortality rates in the standard tables S3PFA_M for females, projected to the valuation date in line with the approach below.
- Allowance for the future improvements: CMI core projection model with a 1.5% per annum long term projected rate of improvement (CMI_2022 [1.50%,S=7]), using a year of birth approach.

The standard rates were adjusted to take account of material geographical occupational and/or socio-economic factors expected to influence the life expectancy of the scheme membership.

Recovery plan

In light of the deficit arising from the actuarial valuation, a Recovery Plan was agreed between the Trustees and the employer on 4 December 2023. Under the Recovery Plan, the employer will pay annual deficit funding contributions of £1,472,000 p.a., until 31 December 2024.

Next actuarial valuation

The next triennial valuation will be performed as at 31 December 2025.

Schedule of Contributions

BACB Pension Scheme

This schedule of contributions has been prepared by the trustees, after obtaining the advice of Elaine Wilson, the Scheme Actuary. It replaces the previous schedule of contributions which was actuarially certified on 14 December 2020.

In preparing this schedule of contributions, account has been taken of contributions due in the period between 31 December 2022 and the commencement of this schedule under the previous schedule(s) of contributions, together with any further contributions paid during the same period.

Period covered by this schedule of contributions

This schedule of contributions takes effect from the date it is certified by the Scheme Actuary. It ends five years after the date it is certified by the Scheme Actuary.

Contributions by employer in respect of the shortfall in funding

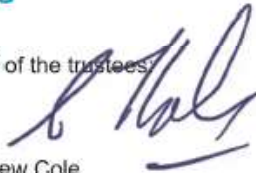
In accordance with the recovery plan following the 31 December 2022 actuarial valuation, the employer will pay monthly contributions of £1,472,000 p.a. until 31 December 2024.

Additional employer contributions

The employer may pay additional contributions of any amount and at any time from those set out above.

Signatures

Signed on behalf of the trustees:

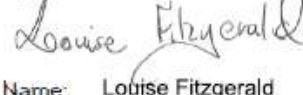


Name: Andrew Cole

Position: Chair of Trustees

Date: 4 December 2023

Signed on behalf of the employer:



Name: Louise Fitzgerald

Position: Chief Financial Officer

Date: 4 December 2023

Actuary's Certification of Schedule of Contributions

BACB Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2022 to be met by the end of the period specified in the recovery plan dated (i.e. signed on behalf of the trustees on) 4 December 2023.

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 (i.e. signed on behalf of the trustees on) 4 December 2023.

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:	<i>Elaine Wilson</i>	Date:	4 December 2023
Name:	Elaine Wilson	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Tower Place West London, EC3R 5BU	Name of employer:	Mercer Limited



MEMBERS' INFORMATION

INTRODUCTION

The Scheme is a defined benefit scheme and is administered in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries. The registration number in the Register of Occupational and Personal Pension Schemes is 10017700.

The **Department for Work and Pensions** provides a tracing service for members and their dependants who have pension entitlements from schemes operated by previous employers but have lost touch with those schemes. This service can be contacted at:

The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1AF




 www.gov.uk/find-pension-contact
 0800 731 0193

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

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




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

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London E14 4PU

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

The **Money & Pensions Service** ("Money Helper") works to make pensions accessible and understandable for everyone. It provides independent and impartial information and guidance about pensions, free of charge, to members of the public. It helps with all pension matters covering workplace, personal and stakeholder schemes and also the State Pension. It answers general questions, helps with specific queries and offers guidance for people with complaints about their private pension scheme but will not provide any information or guidance that could be construed as regulated financial advice. Money Helper can be contacted using the contact details below:

Money & Pensions Service
120 Holborn
London EC1N 2TD

 enquiries@moneyhelper.org.uk
 0800 138 7777
 www.moneyhelper.org.uk

MEMBERS' INFORMATION (CONTINUED)

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

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

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

Engagement Policy Implementation Statement (forming part of the Trustees' Report)

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 December 2023. This statement has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

Investment Objectives of the Scheme

The Trustees believe that it is important to consider the policies in place in the context of the investment objectives they have set. As set out in the SIP, the Trustee's primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

The Trustees wish to ensure that they can meet their obligations to the beneficiaries both in the short and long term.

The Trustees recognise that the investment performance of the Scheme's assets will not usually have a direct impact on the members' benefits. The investments can have an indirect impact on the members' benefits if they alter the Sponsoring Employer's ability and/or willingness to continue to support the Scheme.

With that in mind, the Trustees have set specific investment objectives regarding the manner in which the primary objective of meeting their obligations to the members is to be achieved:

- To pay the Scheme benefits as and when they fall due and avoid any reduction in benefits if possible
- To achieve and maintain a funding level of 100% on the on-going funding basis
- To maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme
- To pay due regard to the interests of the Sponsoring Employer in relation to the funding of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Investment Strategy

The Trustees have established a strategic benchmark for the Scheme assets, which targets 32% growth assets and 68% bond assets.

The Trustees monitor the asset allocation from time to time and may rebalance the Scheme's investments if necessary to bring them in line with the strategic benchmark (SIP section Appendix 1).

Review of the SIP

The Scheme's SIP was updated in March 2023 and these changes were made to reflect the revised investment strategy.

Scheme's Investment Structure

The Scheme's assets are invested in pooled funds managed by third party investment managers. Over the course of the year, the Trustees transferred the fund holding onto an investment platform managed by Mobius Life.

Given that the investments are made through pooled funds, the Trustees do not hold individual securities directly and they do not therefore directly engage with the underlying companies that the fund managers invest in.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme's SIP includes the Trustees' policy on ESG factors, Stewardship and Climate Change; these policies were last reviewed in March 2023. The Trustees keep its policies under regular review with the SIP, subject to review at least triennially.

Engagement

In the relevant year, the Trustees have not engaged with the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the Trustees expect to review the stewardship and ESG policies of the Fund managers periodically.

Voting Activity

The Scheme has no direct relationship with the underlying companies that it is ultimately invested in, and therefore, do not have the voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustees have not been asked to vote on any specific matters over the Scheme year. Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds which include equity holdings) in which the Scheme's assets are ultimately invested.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of future statements.

Significant Votes

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

As noted in last year's statement, the Trustees define a significant vote as one that is linked to the Scheme's stewardship priorities/themes. A vote could also be significant for other reasons, e.g. due to the size of holding. Given the nature of the Scheme's holdings, this is unlikely to be a material consideration for the Trustee.

The table on the following page sets out a summary of the key voting activity over the financial year. The Trustees remain satisfied that the Significant Votes outlined by the respective investment managers are consistent with their broad engagement priorities, and the Trustees' investor advisors assign positive ratings to the overall ESG capabilities of the respective investment managers.

BACB PENSION SCHEME

YEAR ENDED 31 DECEMBER 2023

The table below sets out a summary of the key voting activity over the financial year:

Fund	Votes cast		Abstentions	Most significant votes (description)	Significant vote examples
	Votes in total	Votes against management endorsement			
Schroders Diversified Growth Fund	Eligible votes: 14,227 Voted on: 13,351 (93.8%)	1,462	60	Schroders consider "most significant" votes as those against company management on key engagement topics. Schroders highlight that they will oppose management if they believe that doing so is in the best interests of shareholders and clients. This is usually used as an escalation method to an engagement that is not progressing as expected.	Schroder provided details on a number of significant votes. These covered companies including Apple, JPMorgan Chase & Co, Amazon.com, and Alphabet. The votes were on a wide range of topics including gender/racial pay gap (Apple), climate transition and greenhouse gas target (JPMorgan), reducing plastic waste (Amazon.com) and assessments of lobbying activities and climate alignment (Alphabet).
Nordea Diversified Return Fund	Eligible votes: 2,486 Voted on: 2,441 (98.2%)	288	125	Significant votes are those that are severely against the investment manager's principles, and where Nordea feel that they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmark the proposals against their policies.	Nordea have provided a number of examples which include voting for shareholder proposals on lobbying transparency, assessments of human rights diligence in supply chains, and alignment of climate targets to Paris Agreement Goal. The examples also include votes against management on executive compensation, and director elections; including the proposed re-election of Mark Zuckerberg at Meta Platforms where Nordea believe there has been a failure by the board to proficiently guard against and manage material environmental, social and governance risks.

Proxy Voter used:

- **Schroders:** Receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on internal policies they will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.
- **Nordea:**
 - o ISS – for the technical expertise and voting platform, as well as their global reach, and second opinion
 - o NIS – a smaller, specialist firm which provides input and third opinion.

Notes: ISS = Institutional Shareholder Services Inc.
IVIS = Institutional Voting Information Service
NIS = Nordic Investor Services