

Babcock International Group Pension Scheme

Report and Accounts

Year ended 31 March 2023

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Babcock International Group Pension Scheme

Trustee Directors and their advisers Year ended 31 March 2023

Trustee	Babcock Pension Trust Limited
Trustee Directors	Susan Jee (Chair) Martin Veasey (Independent director) Barry Morse Karena Caskie (member elected) Philip Burrell (member elected) Richard Bowen (member elected) Philip Potter (resigned 27 February 2023) Dean Riggall
Secretary to the Trustee Directors	Tristan Claffey
Principal Employer	Babcock International Group plc 33 Wigmore Street London W1U 1QX
Scheme administrators	<i>Defined Benefit Section</i> Hymans Robertson LLP 45 Church Street Birmingham B3 2RT <i>Defined Contribution Section</i> Aviva Life & Pensions UK Limited Q4 The Square Randalls Way Leatherhead Surrey KT22 7TW
Auditor	RSM UK Audit LLP 103 Colmore Row Birmingham West Midlands B3 3AG
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP Lloyds Bank plc 25 Gresham Street London EC2V 7HN
Scheme Actuary	S Head Aon Solutions UK Limited Verulam Point, Station way St Albans AL1 5HE

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Trustee Directors and their advisers Year ended 31 March 2023

Solicitors	Pinsent Masons LLP 55 Colmore Row Birmingham B3 2FG
Investment managers	Aviva Investors Aviva Life & Pensions UK Limited (Defined Contribution Section) Cambridge Associates LLC CBRE Global Investment Partners CQS Management H2O Asset Management ICG Longbow Limited Insight Investment Janus Henderson Investors (terminated October 2022) Legal & General Investment Management M&G Investment Management Oak Hill Advisors (UK) LLP Patrizia Property Investment Managers LLP Wellington Management
Investment bank responsible for Longevity Swaps	Credit Suisse Group One Cabot Square London E14 4QJ
Investment adviser	Mercer Limited 1 Tower Place West London EC3R 5BU
Defined Contribution Section Adviser	Willis Towers Watson Belvedere, 12 Booth Street Manchester M2 4AW
Covenant adviser	Interpath Limited 10 Fleet Place London EC4M 7RB
Custodian (for segregated assets only)	Northern Trust 50 Bank Street Canary Wharf London E14 5NT

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Trustee Directors and their advisers Year ended 31 March 2023

AVC providers

Utmost Life and Pensions
Walton Street
Aylesbury
Buckinghamshire
HP21 7QW

Aviva Life & Pensions UK Limited
Q4 The Square
Randalls Way
Leatherhead
Surrey
KT22 7TW

Insurer

Aviva Life & Pensions UK Ltd
Group Protection
PO Box 3240
Norwich
NR1 3ZF

Contact address

The Pension Trustee Secretary
Babcock International Group plc
Rivergate House
Newbury Business Park
London Road
Newbury
RG14 2PZ

Babcock International Group Pension Scheme

Trustee Directors' report Year ended 31 March 2023

Introduction

The Trustee Directors of the Babcock International Group Pension Scheme (the 'Scheme') are pleased to present the annual report together with the audited accounts for the year ended 31 March 2023. The Scheme is provided for all eligible employees of the Principal Employer and participating employers and is a hybrid scheme incorporating a Defined Benefit section and a Defined Contribution section.

During the year the Defined Benefit section was administered by Hymans Robertson LLP and the Defined Contribution section was administered by Aviva Life & Pensions UK Limited.

Trustee and Advisers

The present Trustee, and the Trustee Directors who served during the year, are shown on page 3.

The Company is responsible for the appointment and removal of the Trustee and the Trustee Directors other than the Independent Director and Member Nominated Trustee Directors. The Independent Director can only be removed from office with the prior written consent of not less than two thirds of the Trustee Directors. Member Nominated Trustee Directors may be active, deferred or pensioner members of the Scheme and are selected by a panel convened by the Chair of the Trustee. Member Nominated Trustee Directors can only be removed in accordance with section 242 of the Pensions Act 2004. A Trustee Director can choose to retire from office at any time.

The advisers to the Trustee during the year are shown on pages 3 to 5.

Trustee meetings

The Trustee Directors met formally six times during the year. Attendance at the meetings was as follows:

	Eligible for Attendance	Attended
Susan Jee	6	6
Barry Morse	6	5
Karena Caskie	6	6
Philip Burrell	6	6
Richard Bowen	6	6
Martin Veasey	6	6
Philip Potter (resigned 27 February 2023)	6	5
Dean Riggall	6	4

In addition to the full Trustee Board, the scheme operates the following sub committees:

- Discretions & Defined Benefit Administration Committee
- Defined Contribution Committee
- Investment Committee

Pension Increases

Guaranteed Minimum Pensions (GMPs) in payment which accrued after 5 April 1988 were increased in accordance with legislative requirements. Pensions in payment (in excess of GMPs in payment), were increased in accordance with the Rules of the Scheme. Deferred pensions were increased in accordance with statutory requirements.

The statutory minimum rate applying for annual increases to certain deferred pensions and pensions in payment is based on the Consumer Prices Index (CPI).

The increases applying are confirmed to individual members as and when benefits are quoted. There were no discretionary increases awarded during the year.

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Transfer Values

Members leaving service can normally transfer the value of their benefits under the Scheme to another scheme that they join or to an insurance contract or personal pension.

The transfer value of a Scheme member's benefits includes no allowance for any discretionary benefits which might be awarded in the future, except in the case of Staff or Works members who left active service before 1986, where allowance is made for deferred revaluations of 3% per annum in excess of the Guaranteed Minimum Pension.

The transfer values paid during the year were calculated and verified in accordance with regulations under Section 97 of the Pensions Schemes Act 1993.

During the year the transfer values paid were equal to the cash equivalent of the members' leaving service rights.

Contributions

The contributions received during the year were at the rates agreed between the Principal Employer and the Trustee, certified by the Actuary in accordance with the Scheme Deed and Rules.

Self-investment

The assets of the Scheme are invested in accordance with Section 40 of the Pensions Act 1995.

Scheme changes

A deed of amendment was executed on 25 April 2022 in relation to the payment of death benefits for Defined Contribution section members. There were no other significant changes to the Scheme Deed and Rules during the year

Bulk transfer out

On 22 August 2022, a bulk transfer took place involving 820 members of the Babcock Retirement Savings Scheme. The members were employees of Frazer-Nash Consultancy, which was disposed of by the Babcock Group in 2021.

GMP Equalisation

As reported in the prior year, on 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that the schemes should be amended to equalise pension benefits for men and women in relation to Guaranteed Minimum Pension benefits ('GMPs'). The Trustee of this Scheme is aware that the judgment will also affect the Scheme. There are a number of possible methods by which equalisation may be achieved and the Trustee continues to participate in a working party with the other principal Babcock pension schemes and the employer in order to establish a suitable approach.

Accounting guidance has been issued in response to the ruling and this requires that, where material, the obligation in respect of backdating benefits and related interest should be recognised as a liability in the financial statements. The Scheme Actuary has estimated the value of backdated benefits arising from this judgment. The Trustee has determined the amount not to be material for the financial statements, and as such no provision has been made for it in the financial statements.

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Trustee Directors' report Year ended 31 March 2023

In a further ruling, on 20 November 2020, in a follow up case, the High Court determined the need for schemes to equalise for the effect of GMPs on past transfer values. Transfer values from May 1990 should be assessed to determine whether any top-up payment is required to the receiving scheme. The Trustee is considering the full impact of this judgment but currently does not anticipate that the amounts involved will be material to the financial statements, and as such no provision has been made for it in the financial statements. In the funding valuation as at 31 March 2022 (see 'Actuarial valuation' below) the Scheme Actuary added 1.1% to the Scheme's Technical Provisions in order to allow for the cost of equalising GMP's, including an allowance for historic transfers out.

Additional Voluntary Contributions (AVCs)

There is provision for active members to pay AVCs in order to increase their benefits under the Scheme.

AVCs are a tax efficient method of saving as they are allowed against tax in the same way as normal contributions to the Scheme. In addition they are invested in special insurance contracts where they benefit from the tax concessions available to pension arrangements.

Members can make AVC contributions to the Defined Contribution section of the Scheme or increase their contributions (subject to the maximum contribution limits laid down in the Finance Act 2004), at any time. Full details are available on request from the administrators or from the Scheme's website (www.myoneday.co.uk).

A small number of members aged over 75 remained in the legacy AVC arrangement with Utmost Life and Pensions at year end.

Investment Managers

The current investment managers are shown on page 4. The investment managers are given full discretion in making investment decisions, subject to broad guidelines laid down by the Trustee Directors.

The investment managers are paid fees for their services. The fees are calculated as a percentage of the market value of the part of the fund that they manage and in some cases a proportion of the fees is based on performance.

As required by Section 35 of the Pensions Act 1995, the Trustee Directors have prepared a Statement of Investment Principles ("SIP") setting out their policy on investment. A copy of the Statement is available on request and can also be viewed online at: www.myoneday.co.uk. The SIP was last updated in September 2023.

The Trustee Directors have appointed Northern Trust as custodian for the Scheme for the assets held directly. Further details are given in the Investment Report.

Taskforce for Climate-Related Disclosures (TCFD)

The Trustee is now required under legislation to take steps to identify, assess and manage climate-related risks and opportunities and to report on what it has done, in line with the recommendations of the TCFD.

The Trustee recognises that climate change presents both risks and opportunities, and therefore both the potential financial impacts of both the associated transition to a low-carbon economy and the physical impacts of different climate outcomes need to be analysed.

In preparation for the production of its first climate change report, the Trustee has taken the following key steps:

- Receiving training on climate related risks and opportunities and the TCFD framework.
- Carrying out climate metrics analysis which provides an assessment of the Scheme's greenhouse gas emissions exposure.
- Undertaking climate scenario analysis which quantifies the risk to the Scheme over multiple time periods under different climate scenarios.

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- Setting targets to reduce greenhouse gas emissions
 - o Defined Benefit (“DB”) Section of the Scheme
The Trustee has set the following emissions target, covering the Scheme’s aggregate buy and maintain credit portfolio:
Reducing greenhouse gas emissions intensity (Scope 1 and 2) for the aggregate buy and maintain credit portfolio by 45% or more by the end of 2030, as measured by Weighted Average Carbon Intensity, with a 30 September 2021 baseline.
 - o Defined Contribution (“DC”) Section of the Scheme
The Trustee has set the following emissions target, covering the Scheme’s DC Section assets:

Reducing greenhouse gas emissions intensity (Scope 1 and 2) by 50% or more by the end of 2030, as measured by Weighted Average Carbon Intensity, with a 30 September 2021 baseline.
- Reviewing investment consultant objectives in respect of climate and/or TCFD requirements.
- Reviewing other adviser requirements in respect of climate change and/or TCFD requirements (actuarial and covenant).
- Developing a governance policy, which clearly sets out the responsibilities of the Trustee and its advisers in relation to climate risks and opportunities.
- Developing a responsible investment policy setting out the policy of the Trustee with respect to Environmental, Social and Governance (“ESG”) issues as they relate to the Scheme’s investment arrangements, which include climate considerations.
- Producing an Engagement Policy Implementation Statement (which can be found at www.myoneday.co.uk) which outlines the considerations of climate change-related voting and engagement practices of the Scheme’s investment managers.

The Trustee’s first climate change report, for the 12 months to 31 March 2023 can be viewed online at: www.myoneday.co.uk

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Trustee Directors' report Year ended 31 March 2023

Membership

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

	Active members	Pensioners	Members with deferred benefits	Total
Defined Benefit section				
Members at the start of the year	211	7,131	3,031	10,373
Adjustments	-	1	-	1
Retirements	(11)	193	(182)	-
Deaths	(2)	(377)	(6)	(385)
Members leaving with no further liability	-	(33)	(3)	(36)
Members leaving with deferred benefits	(5)	-	5	-
New spouses and dependants	-	135	-	135
Transfers out	-	-	(26)	(26)
Other leavers	-	(6)	-	(6)
	193	7,044	2,819	10,056
Defined Contribution section				
Members at the start of the year	18,959	-	18,838	37,797
Adjustments	-	-	-	-
New entrants	3,562	-	-	3,562
Retirements	(181)	-	(356)	(537)
Deaths	(28)	-	(31)	(59)
Members leaving with deferred benefits	(2,732)	-	2,732	-
Transfers out	(1,147)	-	(727)	(1,874)
Members leaving with refunds	-	-	-	-
Cancelled policies in respect of opt-outs	(14)	-	-	(14)
Cancelled nil-value policies	(114)	-	-	(114)
Deferred members rejoining as active	98	-	(98)	-
	18,403	-	20,358	38,761
Total membership at the end of the year	18,596	7,044	23,177	48,817

Pensioners include dependants receiving a pension upon the death of a member.

Members leaving with no further liability represent members whose remaining benefits have been fully commuted.

These membership figures do not include movements notified to the administrator after the year end date. Opening adjustments in relation to such movements are normal.

New members joining under auto-enrolment are reported net of those who have opted out prior to contributions being remitted to the Scheme.

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Financial development of the Scheme

The financial statements on pages 82 to 109 show that the value of the Scheme's assets decreased by £456,161,000 to £1,935,240,000 as at 31 March 2023. The decrease comprised of a net decrease from dealings with members of £40,418,000 together with a net decrease in the value of investments of £415,743,000.

The accounts have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 82 to 109.

Actuarial valuation

The latest full actuarial valuation, as at 31 March 2022, was completed on 28 June 2023 and was the sixth valuation under the Scheme Specific Funding regime. A copy of the Valuation report, Statement of Funding Principles and the signed Schedule of Contributions is available, upon request, from the Pension Trustee Secretary.

The Report on Actuarial Liabilities reflecting the valuation as at 31 March 2022 is included on page 111.

The next full valuation is at 31 March 2025. The Trustee also receives an annual update of the approximate financial position of the Scheme from the Scheme Actuary.

Expression of Wish Forms (Nomination form for death benefits)

The Trustee Directors wish to remind members that they can indicate to the Trustee Directors the persons to whom they wish any lump sum benefits and pension benefits to be paid in the event of their death. The Trustee Directors will then be able to take members' wishes into account, although they are not obliged to do so. Members are also urged to review their Expression of Wish Form should their circumstances change.

Expression of Wish Forms are available on request from the administrators, or from the Scheme website (www.myoneday.co.uk).

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Further information

Further information about the Scheme is available, on request, to members and prospective members, their spouses and other beneficiaries together with respective recognised trade unions. In particular the documents constituting the Scheme, the Rules and a copy of the latest actuarial report and the Trustee Directors' Statement of Investment Principles are available on request.

Individual benefit statements are provided to active and deferred members of the Defined Benefit section annually and individual Statutory Money Purchase Illustration (SMPI) statements are provided to active and deferred members of the Defined Contribution section annually. In addition to the information shown on these statements members can request details of the amount of their current transfer value. Such requests can only be made once in any one year in order to limit Scheme expenditure.

If members have any queries concerning the Scheme in general or their own pension position, or wish to obtain further information, they should contact the administrators who will be able to provide them with a further copy of the Scheme booklet should they require one and answer queries that they may have about their entitlement to benefits.

If members have any complaints in relation to the Scheme they should in the first instance contact:

The Pension Trustee Secretary
Babcock International Group PLC
Rivergate House
Newbury Business Park
London Road
Newbury
RG14 2PZ

Email: Tristan.Claffey@babcockinternational.com

Babcock International Group Pension Scheme

The Chair's Annual Governance Statement

This Statement has been prepared by the Trustee of the Babcock International Group Pension Scheme (BIGPS) to demonstrate how the Defined Contribution (DC) Section of the Scheme and other DC benefits under the Scheme (including additional voluntary contributions (AVCs) for Defined Benefit (DB) members) have complied with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 including the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 and subsequent regulations. The standards above cover the following key aspects:

- The investment options available to members, particularly the default investment strategy
- The charges and transaction costs incurred by members and the extent to which they provide value to members
- Net investment returns achieved by the default investment strategy and the alternative investment options available to members
- The processing of core financial transactions
- How the Trustee maintains sufficient knowledge and understanding so it can undertake its duties and responsibilities in relation to the Scheme.

The Scheme is provided for employees of Babcock International Group PLC and its relevant subsidiaries and is used for automatic enrolment purposes. It has not been established as a Master-trust and it is not intended for use as a Master-trust.

This statement relates to the period from 1 April 2022 to 31 March 2023 (the end of the Scheme year) inclusive.

For the year in question the Trustee conducted the majority of its business remotely via video-conference calls and utilising technology to complete documentation as and when required.

- **Investment strategy and performance – relating to the DC Section's default arrangement and other DC investment options available under the Scheme**

Statement of Investment Principles

The Trustee is responsible for investment governance and, as part of this role, has prepared a Statement of Investment Principles ('SIP') which govern its decisions about investments, including its aims, objectives and policies for the DC Section's default investment arrangement (i.e. the default funds). In particular, it covers:

- How the default strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries (in very broad terms, this is the core aim and objective of the default arrangement).
- The Trustee's investment policies on risk, return and Environmental, Social and Governance ('ESG') investing.

The SIP was last updated in September 2023 and is available via the website www.myoneday.co.uk

Aims and objectives of the DC Section's default arrangement

The Scheme's default arrangement, known as the 'Target Lump Sum Lifestyle strategy' during the period covered by this Statement was established in February 2016 following professional investment advice.

Lifestyle strategies aim to grow pension savings with expected higher risk returns the further a member is away from their retirement age and gradually switch to lower risk and less volatile funds as a member approaches their chosen or target retirement age. The aim of switching funds to less volatile funds is to protect pension savings in line with how a member wants to

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take their pension benefits.

The Scheme offers three lifestyle strategies of which one is the default arrangement. These are:

- Target lump sum lifestyle fund (default strategy)
- Target Flexibility Lifestyle fund
- Target Annuity Lifestyle fund

All members are auto-enrolled into the default arrangement and remain there unless they select other investment options. The aim of the default arrangement is to achieve growth in the years before retirement and then protect assets as members get closer to retirement.

During the growth phase of the target lump sum lifestyle strategy members are invested in a global equity fund in order to maximise growth potential over the longer term. When members are 20 years away from their selected retirement date, their equity investments are gradually switched into a diversified growth fund to reduce investment risk as members move closer to retirement. Members are fully invested in the diversified growth fund when they are 10 years away from their selected retirement age.

The final phase of the target lump sum lifestyle strategy commences 5 years before their selected retirement age at which point investments are gradually switched into cash. At the member's selected retirement age, the member is invested 60% in a cash fund and 40% in a diversified growth fund. This strategy is broadly designed to target a cash/short term drawdown retirement outcome, as it is expected this outcome will be appropriate for the majority of members based on current membership analysis.

Default strategy review

The strategy is reviewed annually and the last detailed triannual review took place in March 2022 with further work being carried out in October 2022. The review considers such matters as; the demographic profile of the membership, the likely income choices members will make at retirement, developments in the money purchase/defined contribution market and legislative change. The Trustee concluded that, in the short term, the current strategy remains consistent with the aims and objectives of the default arrangement, as stated in the SIP.

The next strategy review is scheduled for March 2024.

Default (and other funds) performance review

Investment performance is reviewed every quarter. Performance is measured against the benchmarks for each fund and is assessed to ensure that it remains consistent with the aims and objectives of the SIP. Given most of the funds are passive funds this means the Trustee is particularly interested in deviations from the benchmark the fund is meant to be tracking.

Performance of all funds, including the funds that make up the default, are monitored and discussed by the DC Committee and their advisers each quarter. The majority of funds are designed to track an index and have performed in line with expectations during the period covered by this Statement. This is in line with the Trustee's SIP which sets out the Trustee's views that funds available to members should provide diversification and long-term capital growth, aim to protect accumulated funds as members approach retirement and provide value for money. The three lifestyle strategies make use of low-cost Global Equity funds as well as a Diversified Growth Fund to mitigate risk. The DC Committee reports its findings to the Trustee Board each quarter and will take action where required.

All three lifestyles were established in February 2016 and the strategy and performance was last reviewed in March 2022 with further work carried out in October 2022. The Trustee agreed that the three lifestyle strategies were still appropriate for the majority of members taking benefits from the Scheme and that performance had been in line with expectations and had matched the benchmark. Fund performance was and will continue to be monitored each quarter.

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Self-select funds

Members who prefer to make their own investment choices can choose from a range of individual funds selected by the Trustee in February 2016 after taking professional investment advice. The Trustee introduced a Shariah fund in July 2018 to help meet the needs of a diverse membership. The fund aims to create long-term appreciation of capital through investment in a diversified portfolio of securities that meets Islamic investment principles. The Trustee also introduced a climate focused fund in January 2022 in response to climate change and to support the membership to align their retirement benefits with personal beliefs.

In addition to an annual review of the default and self-select funds, a triennial investment strategy review is also carried out that includes an in-depth review of membership profiling. The latest triennial investment strategy review was prepared by the Trustee investment adviser and presented to the Trustee at the DC Committee meeting in March 2022 with further work being carried out and presented at the DC Committee meeting in October 2022.

The Trustee concluded that no changes were required in the short term to the self-select investment choices based on the demographics of the membership and the choices members were making at retirement. The Trustee continues to monitor the investment strategy and will undertake a review if there are any significant changes in investment policy or member demographics.

Net investment returns for the self-select fund options

The Trustee is required to report on the net investment returns for its default arrangement and for each self-select fund in which members had assets invested during the Scheme year. Net Investment Returns refers to the returns on funds minus all transaction costs and member-borne charges (see below). The Net Investment Return information for the Target Annuity Lifestyle Strategy and Target Flexibility Lifestyle Strategy has not been included as the provider was unable to provide this information. The Trustee will continue to request this information for inclusion in next year's Statement'.

The tables below show the net investment returns provided by Aviva over the 1 year and 5 year periods to 31 March 2023 (with the exception of the Climate Focused Fund as this was only made available in January 2022).

When preparing this information, the Trustee has considered the guidance issued by the Department for Work and Pensions (DWP) titled 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns' dated October 2021. The Trustee is comfortable that the information provided meets the minimum requirements set out by the DWP.

Lifestyle Strategy (Target Lump Sum)

Age of Member	Net Investment Return 1 year to 31 March 2023	Net Investment Return 5 Years to 31 March 2023 (per annum)
25	-3.20%	9.18%
45	-3.36%	7.88%
55	-5.87%	3.91%

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The Self-Select Fund Range

Growth Funds	Net Investment Return 1 year to 31 March 2023	Net Investment Return 5 Years to 31 March 2023 (per annum)
Emerging Markets Equity	-6.81%	1.21%
Global Equity	-3.20%	9.18%
Stewardship	1.71%	5.34%
HSBC Islamic Global Equity Fund (Shariah)	-6.07%	14.51%
Climate-focused	0.53%	N/A
Diversified Growth Fund*	-5.87%	3.91%
Approaching Retirement funds		
Target Increasing Annuity	-29.79%	-4.04%
Target Level Annuity	-20.58%	-3.49%
Money Market Fund	2.12%	0.64%
Lifestyle Strategies (non default)		
Target Annuity Lifestyle Strategy	Data Not Available	Data Not Available
Target Flexibility Lifestyle Strategy	Data Not Available	Data Not Available

- Financial transactions**

The Trustee is required to process core financial transactions of the DC Section promptly and accurately. The Trustee regularly monitors the core financial transactions of the DC Section. These include (but are not limited to) the investment of contributions, transfers into and out of the Scheme, fund switches and payments out of the Scheme to and in respect of members.

This is achieved through the review of quarterly reporting from the DC Section's administrator and the quarterly monitoring of contribution payments by the Employer's payroll. The Scheme's accounts are also audited annually by the Scheme's appointed auditors, currently RSM UK Audit LLP. In addition, the in-house team hold monthly calls with the Scheme's appointed Scheme administrator, currently Aviva to discuss operational performance, accuracy of transactions and plans for ongoing development.

Based on these reports the vast majority of contributions are invested in a timely manner. Those which fall outside the standard timescales for receipt and investment are often due to records not being established for new members in time and payroll and the Scheme Administrator work quickly to resolve this and invest the contributions as at the date they were received rather than date of resolution.

The administration report reviewed by the DC Committee each quarter contains details of Aviva's accuracy and timeliness of completing administration tasks (i.e. investment of contributions, transfers in and out of the Scheme, fund switches, retirement cases (quotes and payments to members), responding to member queries etc.) against the administration service level agreements ("SLAs") that the Trustee has in place with Aviva (which cover the accuracy and timeliness of these core transactions). The administration reports also include details of both compliant and non-compliant performance, which means any instances where core financial transactions may not have been processed promptly and accurately within a reporting period are disclosed to the Trustee, such that any remedial action(s) can be discussed and agreed.

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Processes and systems adopted by Aviva to help meet its service levels include:

- Platform software that helps to simplify end to end processes
- Operation of a workflow management system, Blue Prism
- Centrally maintained process guides
- Payments of regular contributions are automated and invested in the fund selection of the individual member or in accordance with the default investment strategy automatically
- Processes in place to ensure that late contributions are pursued and reported as required. All payments out are peer checked.

The average SLA for tasks processed by Aviva within the period of this statement was 99%. The Trustee is satisfied that Aviva was operating appropriate procedures, checks and controls and operating within the agreed SLAs during the period covered by this statement.

Any issues arising from service are usually dealt with by the in-house team but, where material, these are escalated to the Trustee for noting and, where appropriate, action. The Trustee has access to senior management at Aviva, as well as a representative of Aviva attending every Committee meeting to answer questions on performance and plans for future improvements to member service. There have been no material administration errors in relation to processing core financial transactions during this Scheme year.

Any member complaints received are initially handled by Aviva and, if appropriate, escalated through the Trustee dispute resolution process – being considered by the pensions support team in the first instance and then by the Trustee if required or on appeal.

Based on the above, the Trustee is satisfied that, overall, the Scheme's core financial transactions have been processed in a timely manner and accurately during the Scheme year ending 31 March 2023.

● **Charges and transaction costs**

The Trustee is required to set out the on-going charges borne by members in this Statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the Total Expense Ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds. The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs are incurred when the Scheme's fund managers buy and sell assets within investment funds.

The Default is a lifestyle strategy and this means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which fund they are invested.

- Members who are more than 20 years from their target retirement age will be fully invested in the Global Equity Fund so will be subject to the charges applicable to that fund.
- Members who are between 10 and 20 years from their target retirement age will have a mix of Global Equity and Diversified Growth Funds so will be subject to a combination of charges from those two funds.
- Members who are between 5 and 10 years from their target retirement age will be fully invested in the Diversified Growth Fund so will be subject to the charges applicable to

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that fund.

- Members who are less than 5 years from their target retirement age will have a mix of Diversified Growth and Money Market Funds so will be subject to a combination of charges from those two funds.

The following information is based on the Trustee's understanding of Statutory Guidance regarding the disclosure of costs borne by members of DC pension Schemes and were supplied by Aviva.

The current TERs which are borne by members (covering Aviva's administration, investment management and member communications) and transaction costs applied to the Scheme's default arrangement and self-select fund range, for the period covered by this Statement are shown in the following table:

Growth Funds	TER p.a.	Transaction costs**
Emerging Markets Equity	0.45%	0.0306%
Global Equities*	0.24%	0.0570%
Stewardship	0.27%	0.0779%
HSBC Islamic Global Equity Fund (Shariah)	0.51%	0.0342%
Climate-focused	1.13%	0.1263%
Diversified Growth Fund*	0.37%	0.0000%
Approaching Retirement funds		
Target Increasing Annuity	0.21%	0.0264%
Target Level Annuity	0.29%	0.0379%
Money Market Fund*	0.21%	0.0116%

* These Funds make up the Default fund.

** The transaction costs advised by Aviva.

- Please note that the most up to date charges are available for members on www.myoneday.co.uk
- The TERs are underpinned by the SLA with Aviva, which sets out standards for accuracy and timeliness of all core transactions. Aviva report their performance to the Trustee on a quarterly basis which covers the receipt and investment of contributions in a timely manner. No material issues occurred during the year.
- In addition to the total expense ratios, transaction costs are those incurred as result of buying, selling, lending or borrowing investments. The Trustee has obtained this information from Aviva and more detail is available for members to see via the website www.myoneday.co.uk.
- Members do not incur any other additional charges as a member of the Scheme.

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Illustration of the impact of costs and charges on members' funds

Purpose of the illustrations

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement.

As required by legislation, the Trustee has obtained from Aviva an illustration of the effect, in £ terms, of the costs and charges on the value of members funds if contributions are paid over a number of years. This information shows how the impact of costs and charges reduces the value of funds (and benefits) that will be available to members at retirement.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee and Aviva have had to make a number of assumptions about what these might be. The assumptions are explained in the section below:

Basis on which the illustrations are prepared

The illustrations are prepared by Aviva, who have previously provided the following statement regarding their methodology for the data in the illustrations:

"In preparing our illustrations to support the disclosure of charges to members we have sought to provide an illustration that meets the regulatory requirement to include, in relation to the charges and transaction costs which trustees or managers are required to calculate....., an illustrative example of the cumulative effect over time of the application of those charges and costs on the value of a member's accrued rights to money purchase benefits.

Our illustration pays due regard to statutory guidance from the Department of Work and Pensions (DWP) along with the Government's consultation response on charge disclosure.

Our aim is to produce the range of illustrations required to comply with the regulations but also to meet the policy intent of enabling members to understand the cumulative effect over time that charges and costs have on their benefits.

We recognise that the challenge faced by trustees of established schemes with a diverse membership is that there can be a significant range of ages, contribution rates and accumulated fund values within their scheme. In arriving at our solution, we have sought to provide an illustration that adds value for all scheme members and have sought input from DWP regarding the compliance of our approach.

Taking the key elements in turn:

- ***Duration:*** *We have assumed a 50-year term to comply with the requirement in paragraph 52 of the statutory guidance to base the term on the youngest member to the Scheme's retirement date. While pensions schemes may have a scheme normal retirement age (NRA) lower than state pension age we don't think it's appropriate to use a shorter term based on this as:*
 - *Automatic enrolment regulations demand that members are enrolled at any age up to state pension age, and that they can opt in from an earlier age than age 22.*
 - *We believe that receipt of state pension will be a significant enabler for members to retire, leading to members retiring at this age rather than an earlier scheme NRA.*

Given that all members aged 41 and under will receive state pension at age 68 we believe a term from age 18 to age 68 is appropriate, regardless of the scheme's NRA.

Providing a term that is possibly longer than required allows all members to see the impact of charges on a shorter term if that applies to them. If the term is limited, those who join the scheme at an early age would not be able to see the impact of charges over what is likely to

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be their full term to retirement.

- **Pot size:** *We have chosen to illustrate a starting pot-size of zero as this is typical of the starting pot size of the youngest member. We did not feel it was appropriate to illustrate the median pot size as the youngest members will not hold the median pot size when they join the scheme. Taking a median pot size approach will overstate both projected benefits and the charges taken over the term to retirement.*
- **Contributions:** *We are conscious that pension schemes can contain members with a wide range of salaries, and therefore contribution amounts. Using an average, median or modal contribution rate would not be helpful to the very significant % of members who contribute at different levels. The youngest members are also unlikely to be contributing a median amount, leading to benefits being overstated in the same way as if median fund values are used.*

We chose to illustrate a contribution of £100 per month to allow members to extrapolate or interpolate the approximate impact of charges based on their own circumstance. Using a contribution amount of a "typical" member would allow this, however we felt that calculations would be less intuitive.

- **Range of funds:** *To ensure that we cover a sufficient range of funds with different rates of charge and return, in this statement, we have illustrated:*
 - *The funds that make up the default arrangement*

Illustrations for the following funds are available to members at www.myoneday.co.uk

- *A highest and lowest charge fund*

This is in line with paragraphs 44 and 51 of the statutory guidance

We believe that our approach as described above is in line with paragraph 114 of the Government's consultation response on charge disclosure. We have engaged DWP to obtain a view as to whether DWP believe that their statement in paragraph 114 is in line with the statutory guidance.

*DWP's view is that paragraph 114 does not contradict the guidance and that the statutory guidance on pot size is that if trustees and managers chose to use just one pot size, the median pot size within the scheme **might** be a useful benchmark. Similarly, DWP do not feel that the requirement that contributions should be **broadly representative** is incompatible with the concept of illustrating the impact of investing £1,000 per annum.*

While DWP cannot give a legal view or interpret their own legislation we have taken comfort that our approach meets the regulatory requirements, and the policy intent, with regard to the provision of information on charges."

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The illustrations

The following table shows the effect of costs and charges for the three funds that make up the Scheme's default arrangement in which c.97% of members are invested. Full details of the effect of costs and charges on ALL of the funds available to members is available for members to see via the website www.myoneday.co.uk

The information in this table is only intended to be illustrative and members should exercise caution before relying on this information for the purposes of making decisions about savings, investment and retirement choices. In particular, the values shown are estimates based on a number of assumptions and are not guaranteed - the illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The key assumptions are explained beneath the table below. Members should refer to the Scheme's Investment Guide (available at www.myoneday.co.uk) for more context about the characteristics (as opposed only to cost) of investment options and take independent financial advice as appropriate when making decisions. The Trustee has taken account of the statutory guidance when preparing this section of the statement.

Illustration of effect of cost and charges for typical funds within the Scheme						
	Target Lump Sum Default Fund		Climate Focused Highest Charge		Av Money Market (BIGPS) Lowest Charge	
	Assumed growth rate - 5.6%		Assumed growth rate - 6.5%		Assumed growth rate - 2.5%	
	Assumed costs and charges 0.33%		Assumed costs and charges 1.3%		Assumed costs and charges 0.22%	
At end of year	Projected Value assuming no charges are Taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken	Projected value assuming no charges are taken	Projected value after costs and charges are taken
1	£1,210	£1,210	£1,210	£1,200	£1,190	£1,190
2	£2,470	£2,460	£2,470	£2,440	£2,370	£2,370
3	£3,780	£3,760	£3,780	£3,700	£3,560	£3,550
4	£5,140	£5,110	£5,140	£5,000	£4,750	£4,720
5	£6,550	£6,500	£6,550	£6,330	£5,930	£5,900
10	£14,500	£14,300	£14,500	£13,500	£11,900	£11,700
15	£24,100	£23,500	£24,100	£21,700	£17,800	£17,500
20	£35,700	£34,600	£35,700	£30,900	£23,700	£23,200
25	£49,800	£47,800	£49,800	£41,400	£29,700	£28,800
30	£66,900	£63,500	£66,900	£53,400	£35,600	£34,400
35	£86,600	£81,400	£87,500	£66,900	£41,500	£39,900
40	£108,000	£100,000	£113,000	£82,200	£47,500	£45,400
45	£132,000	£120,000	£143,000	£99,700	£53,400	£50,800
50	£152,000	£138,000	£179,000	£119,000	£59,300	£56,100

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Please note that the complete illustrations (including all of the assumptions used to underpin the above calculations) are available for members on www.myoneday.co.uk

The Trustee has obtained this information from Aviva and more detail is available for members to see via the website www.myoneday.co.uk

Notes

- i Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
- ii The starting pot size is assumed to be £0
- iii Inflation is assumed to be 2.5% each year
- iv Future investment return assumptions are as set out in the column headers in the table
- v Contributions are assumed to be £100 a month for the period in question and increase in line with assumed earnings inflation of 2.5% each year. To the extent that a member's contributions are different to this, the effect of costs and charges can be scaled accordingly
- vi The illustration is for up to 50 years, being the approximate duration that the youngest scheme member has until they reach State Pension Age (68)
- vii Values shown are estimates and are not guaranteed

• Value for members (VFM)

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value" but the Trustee considers that it broadly means that the combination of charges and transaction costs paid by members, and the quality of the services provided to members in return for those charges and transaction costs, is appropriate for and meets the needs of the Scheme's members. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

The Trustee continues to carry out the VFM assessment annually. This assessment is conducted with support from its advisers, and the Trustee has included Value for Members as an item on the Scheme's risk register. Members can access a copy of the value for members' assessment via the website www.myoneday.co.uk. The VFM assessment was last reviewed on 17 July 2023 and finalised at the 5 September 2023 DC Committee meeting.

Given that the fees referred to in this section include investment management, communication and administration fees, the Trustee has concluded that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market.

The Trustee will continue to monitor value for members on an annual basis to ensure that, as a minimum, current standards are maintained. The Trustee will also strive to improve the current VFM ratings via continued discussions with Aviva in relation to their SLAs for administration tasks and the roll-out of enhanced digital solutions to improve member engagement.

Value for members assessment

The Trustee notes that value for members does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The assessment was undertaken taking account of the Pension Regulator's Code of Practice No 13

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(Governance and administration of occupational trust-based schemes providing money purchase benefits).

The Trustee's assessment included a review of the performance of the Scheme's investment funds (after all charges) in the context of their investment objectives.

The Trustee also considered the other benefits members receive from the Scheme, which include:

- The oversight and governance of the Trustee, including ensuring the Scheme is compliant with relevant legislation, such as the charge cap, and holding regular meetings to monitor the Scheme and address any material issues that may impact members
- The design of the default arrangement and how this reflects the membership as a whole
- The range of investment options and strategies
- The quality of communications delivered to members; the quality of support services such as the Scheme website where members can access fund information online; and the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards for the Scheme year.

In the following table, the Trustee has used a rating of 1-3 to determine the extent to which the benefit/service provided represents value for members. The rating scale is as follows:

1. Demonstrates insufficient breadth/quality
2. Demonstrates appropriate breadth/quality
3. Demonstrates good breadth/quality

In the table, reference is made to the Total Expense Ratio (TER). This is the total fees deducted from members' accounts as highlighted in section 3 of this Statement.

Features	VFM rating and justification
<p>A. Investment features</p> <p>The DC Section offers a range of investment options to help members manage their retirement savings.</p> <p>There is also a 'Lifestyle' default investment strategy for members who do not wish to take regular investment decisions.</p> <p>The DC Section's investment approach was designed taking into account the profile, characteristics and needs of the DC membership, and reflects current investment thinking.</p> <p>There is a range of different types of investment to help members to spread risk and increase diversification.</p>	<p>Rating = 3</p> <p>The Trustee has implemented a range of Lifestyle strategies (including the default) for those members wishing to target annuity purchase, drawdown or cash. These are supported by a small, but structured, set of self-select funds.</p>
Who pays for this feature?	Members via TER
Need for this feature	Essential i.e. contributions must be invested and administered. Around 97% of the Scheme's membership were invested in the default fund as at 31 March 2023 demonstrating that there is a need for a well- designed and governed default investment strategy.

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Performance of this feature	The Trustee reviewed the Investment Strategy in March 2022 and further work was carried out in October 2022. The next strategy review is scheduled for March 2024.
<p>B. Investment performance</p> <p>The Trustee (via the DC Committee) monitors the performance of each investment fund against its objectives and performance targets at quarterly intervals. Performance is measured net of associated charges.</p> <p>The investment skill and capacity of the fund manager to deliver future performance is assessed annually.</p> <p>The efficiency and appropriateness of key elements of the investment strategy (i.e. the growth phase of the Lifestyle default and the pre-retirement funds) are monitored.</p> <p>The Trustee (via the DC Committee) undertakes a comprehensive investment strategy review at least at three yearly intervals which examines the structure and key features of the DC Section's investment arrangements to ensure that they remain appropriate for the member and reflect latest investment thinking, trends and best practice.</p>	<p>Rating = 3</p> <p>Use of passive funds limits the impact of a fund manager's skill and capacity, but the Trustee adds further value through monitoring performance quarterly, in-depth annual assessments and three yearly strategic reviews. Funds have largely performed in line with expectation throughout the year.</p>
Who pays for this feature?	n/a performance is a by-product of investing
Need for this feature	n/a performance is a by-product of investing
Performance of this feature	The Trustee reviews investment performance on a quarterly basis and is satisfied with performance based on expectations and fund structures. The investment options are performing in line with expectations.

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<p>C. Investment services</p> <p>As the principal service provider for the DC Section, Aviva also provides the following range of investment services to support the Trustee in delivering the optimum performance for members:</p> <ul style="list-style-type: none"> ▪ Provide and maintain an investment fund platform. ▪ Provide and maintain systems and processes to enable the Trustee to set a core range of investment funds for members of the Scheme. ▪ Provide and maintain systems and processes to enable the Trustee to set a bespoke automated investment strategy (e.g. Lifestyle) for members of the Scheme. ▪ Provide the facilities to enable the Trustee to set a default investment. ▪ Offer the facility to add, remove and change existing Scheme investment options, including the creation of white labelled and blended investment options. ▪ Provide appropriate governance and oversight of the investment platform. ▪ Regularly monitor and review the investment funds and managers on the investment platform. ▪ Negotiate fund management charges and additional expenses with the investment managers. <p>Provide investment performance reporting, manager factsheets and commentary at agreed intervals for the Trustee and members.</p>	<p>Rating = 3</p> <p>The chosen investment platform is flexible and advanced enough for the Trustee to develop an investment strategy that is not constrained by operational capability.</p> <p>Decisions can therefore be made in the best interests of members' needs.</p> <p>Information required by members to make informed choices is available on-line through Scheme Guides and modelling tools and members can switch investments through their own account.</p>
<p>Who pays for this feature?</p>	<p>Members via TER</p>
<p>Need for this feature</p>	<p>Essential i.e. contributions must be invested and administered.</p>
<p>Performance of this feature</p>	<p>Trustee reviewed the quality of Aviva's investment services in March 2023 and concluded that the current Aviva platform continues to meet the needs of the Trustee and members.</p> <p>As part of the VFM assessment the Trustee also reviewed the charges and compared these to other pension arrangements in the market. In isolation the Trustee concluded the charges represented Excellent value for members.</p>

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<p>D. Governance and oversight</p> <p>A dedicated 'DC Committee' comprising of Trustee Directors is responsible for the monitoring and oversight of the DC Section.</p> <p>The DC Committee operates a governance framework to co-ordinate and help manage its oversight and risk management activities. A risk register is maintained and reviewed regularly. Potential risks are assessed and actions to mitigate/control risks are identified and implemented where appropriate.</p> <p>The membership of the DC Committee is reviewed to ensure that it has the appropriate skills, knowledge and resources to manage the DC Section.</p> <p>Where appropriate, the DC Committee utilises the services of Group Pensions Department and external professional advisers to support its activities.</p>	<p>Rating = 3</p> <p>To ensure issues relating to the DC section of the Scheme are addressed comprehensively the Trustee has established a Committee with specific responsibilities for DC issues.</p> <p>This Committee has full delegated authority with regard to operational, communication and investment issues affecting the DC membership.</p>
<p>Who pays for this feature?</p>	<p>The employer via reimbursement of management costs to the Scheme</p>
<p>Need for this feature</p>	<p>Essential due to the nature of legislation and regulations surrounding Trust based occupational pension schemes. This need is a cornerstone of the Pension Regulator's own beliefs.</p>
<p>Performance of this feature</p>	<p>Trustee believes that appropriate governance structures are in place to help achieve better outcomes for members.</p>
<p>E. Administration</p> <p>The majority of the pension administration services are outsourced to Aviva. A wide range of services are utilised to ensure that the DC Section runs efficiently and that members receive a quality service.</p> <p>The Trustee has in place service level agreements with its service providers to ensure that the scope of services are appropriate for the needs of the membership.</p> <p>Administration performance is measured against a wide range of service level targets and monitored at quarterly intervals.</p>	<p>Rating = 3</p> <p>Administration services are provided through a bundled approach and therefore bespoke services are not always possible although the Trustee believes that the general administration of the Scheme remains appropriate.</p>
<p>Who pays for this feature?</p>	<p>Members via TER</p>

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<p>Need for this feature</p>	<p>Essential i.e. benefits must be administered. Members have a need for prompt and accurate processing of tasks such as fund switches, retirement quotations and contribution investments. Given this tends to be the area where most complaints are raised across the industry, the need for high quality administration is evident.</p>
<p>Performance of this feature</p>	<p>Performance monitoring has continued to be a priority for the Trustee during 2022/23 as Aviva have continued with their services transformation project and introduction of new processes. The vast majority of cases (99%) are completed within SLA and where SLAs have not been met the Trustee has understood the rationale for this and instances of complaints from members have been low. Where Aviva has fallen short against SLAs this has largely been in relation to non-critical tasks.</p>
<p>F. Administration services and record keeping</p> <p>Aviva is responsible for handling routine pension administration and member specific events, such as dealing with new entrants to the DC Section, processing annual renewals, producing annual benefit statements, dealing with leavers, opt-outs/ins, transfer requests, deaths and retirements. In addition, Aviva are responsible for:</p> <ul style="list-style-type: none"> ▪ Maintaining a membership record database for all classes of member, continually updated to reflect membership changes and meeting all regulatory responsibilities. ▪ Maintaining a record of all contribution types against each member's account. ▪ Ensuring all statutory obligations are fulfilled in respect of administration matters, including but not limited to all disclosure of information legislation. ▪ Establishing and maintaining an administration system to aid the Administrator in its duties of Scheme administration. ▪ Providing dedicated resource for the effective administration of the DC section through a dedicated administration team. ▪ Providing online access to the administration system for the Trustee and authorised members of the pensions team. ▪ Providing and maintaining a bespoke administration manual for the DC Section. 	<p>Rating = 3</p> <p>Data accuracy is of a high standard and the services available to members and the Trustee are sufficient to meet all the needs of running the Scheme.</p> <p>The administration platform offers good functionality.</p>

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Who pays for this feature?	Members via TER
Need for this feature	Essential i.e. benefits must be administered. Members have a need for prompt and accurate processing of tasks such as fund switches, retirement quotations and contribution investments. Given this tends to be the area where most complaints are raised across the industry, the need for high quality administration is evident.
Performance of this feature	Performance monitoring has continued to be a priority for the Trustee during 2022/23 as Aviva continue with their services transformation project and introduction of new processes. The vast majority of cases (99%) are completed within SLA and where SLAs have not been met the Trustee has understood the rationale for this and instances of complaints from members have been low. As indicated above, where Aviva has fallen short against SLAs this has largely been in relation to non-critical tasks.
<p>G. Communications and member support</p> <p>Members can get information about the DC Section and find out how it works in a variety of ways; including:</p> <ul style="list-style-type: none"> ▪ Information about the DC section and its features and options is available via a member booklet and other literature. ▪ Members can access a dedicated website for details of the investment options and how the funds have performed. ▪ Members can contact Aviva directly in relation to the management of their retirement accounts, including in relation to transfers in or out of the Scheme, leaver options, retirements and other claims. <p>A dedicated helpline is available to answer member and prospective member enquiries, deal with routine member requests and liaise with authorised third-parties to process routine tasks. The helpline is available between 8:30 to 17:30, Monday to Friday. A dedicated telephone number is provided.</p> <p>The helpline can assist with a range of enquiries and requests, including:</p> <ul style="list-style-type: none"> • Fund valuations 	<p>Rating = 3</p> <p>A combination of services provided by Aviva such as:</p> <ul style="list-style-type: none"> • online access • online modellers • face to face presentations • online presentations • regular communication nudges • bespoke communications <p>Demonstrates that members have access to all relevant information they require from the Trustee.</p>

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<ul style="list-style-type: none"> • Pension and DC Scheme enquiries • Issue of unit and benefit statements • Investment Management (switch and redirection of contributions) • Transfer Out quotations • Retirement enquiries and quotations • Enquiries relating to death in service benefits • 'Manage Your Account' support. • Other miscellaneous queries relating to Scheme membership and benefits. <p>Members can securely log into the Scheme's website and view their fund, details and make changes to their account.</p> <p>A new website, oneday, was launched in association with the Employer in November 2017. This includes Financial Education videos and modules as well as basic information about how the Scheme works and a link to the member's own record held with Aviva, My Workplace. The website continues to be reviewed regularly by the Trustee and Employer.</p>	
<p>Who pays for this feature?</p>	<p>A combination of members via TER and the company via reimbursement of management costs to the Scheme for the additional bespoke communications available to members.</p>
<p>Need for this feature</p>	<p>Some items are a legislative requirement whilst others, such as face to face seminars, add value for members in helping to understand benefits. Good communication is likely to become increasingly important due to the complexity of choice available to members and the regulatory focus on this area.</p>
<p>Performance of this feature</p>	<p>The introduction of a new Aviva website in September 2021 has increased the communication and the Trustee believes the standard of core communications is good and will continue to develop. C.39% of members have registered to use MyWorkplace and 27% have logged on in the 12 months to 31st March 2023. Aviva's overall approach to communications is continually monitored and continued to be rated positively.</p>

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<p>H. Member engagement services</p> <p>As part of the Trustee's broader strategy to encourage member engagement and raise awareness of pension matters, the following range of additional communications services are provided:</p> <ul style="list-style-type: none"> • Online Modelling Tools – Aviva provide an • 'Attitude to Risk' tool and a 'Retirement Planner' tool • Online – The oneday website was launched in association with the Employer in November 2017. This includes Financial Education videos and modules as well as basic information about how the Scheme works and the choices members have plus a link to the member's own record held with Aviva. • DC Newsletter - Online annual communication to members in addition to their annual Benefit Statement • Face-to-face sessions or webinars – where appropriate, representatives from the Pensions Department and Aviva are made available to run pension sessions and explain options to members directly. • Member Guides – Additional information guides in respect of DC benefits and AVCs are made available to cover specific topics. • Factsheets - Investment fund factsheets are also available via the Scheme website. 	<p>Rating = 3</p> <p>While communications and tools exist for members to be able to fully understand their benefits and the options available to them the Trustee acknowledges that further work can be done across the membership to highlight how to access these.</p> <p>Take up of online services can be improved – c39% of members have registered to use MyWorkPlace and 27% of members logged on in the 12 months to 31 March 2023.</p> <p>The Trustee and Aviva continues to take steps to increase take up of online services and the tools available therein. This will continue as well as regular campaigns and reminders to the membership.</p>
<p>Who pays for this feature?</p>	<p>A combination of members via TER and the company via reimbursement of management costs to the Scheme for the additional bespoke communications available to members.</p>
<p>Need for this feature</p>	<p>Some items are a legislative requirement whilst others, such as face to face seminars, add value for members in helping to understand benefits. Good communication is likely to become increasingly important due to the complexity of choice available to members and the regulatory focus on this area.</p>

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<p>Performance of this feature</p>	<p>Engagement of DC members remains low although improving and not out of line with the general industry. The Trustee acknowledges this requires continual effort.</p>
<p>I. Retirement support</p> <p>The DC Section offers a range of services and support for members who are approaching retirement or making decisions on how to draw their benefits at retirement, including:</p> <ul style="list-style-type: none"> • Educational support to help members who are approaching retirement (typically, beginning from 10 years to scheduled retirement date) to allow them to make informed decisions. • Access to online guides to support members' decision making to utilise real-time comparative annuity tools and modeller, including an online video assistant. • A dedicated customer retirement helpdesk, manned by experienced case handlers who deal with all aspects of the retirement process. • An annuity broking service that offers whole of market search and automatic assessment for enhanced annuity rates. • A robust broking process that focuses on quality and compliance driven. <p>Competitive charges, with the option of capped commission or discounted fees.</p>	<p>Rating = 2</p> <p>At retirement members have a choice of using the Aviva Retirement Support centre or taking their own decision/advice. The Trustee also appointed Hargreaves Lansdown (HL) in 2014 to provide 'at retirement' guidance to members.</p> <p>Although processes are in place for the exchange of information between HL and Aviva this can also appear competitive and contradictory leading to confusion for members.</p> <p>Since the appointment of HL in January 2014 the government has also removed the obligation to purchase an annuity and therefore this area of support was reviewed by the Trustee during 2019 and again in 2022. The Trustee concluded that existing support and communications are appropriate for now but expect to review the overall retirement support process in the coming years as pot sizes grow and members are expected to become more interested in other options (notably Draw-down).</p> <p>In 2021, the Trustee, together with the DC investment adviser, carried out an exercise to review member engagement and the retirement journey/support members experience. The Trustee concluded that both strategies remained appropriate at this time with no immediate changes required. The Trustee reviewed the strategies again in November 2022 with no changes required. The Trustee would continue to monitor both strategies.</p>
<p>Who pays for this feature?</p>	<p>The two-stage retirement helpdesk run by Aviva is provided to members at no charge.</p> <p>If the member chooses to use the HL annuity broking service, the member pays a fee dependent on whether the annuity is straightforward or an impaired life annuity.</p>

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Need for this feature	<p>Pension Freedoms has introduced legislation compelling providers to issue risk warnings and provide more support at retirement (ie. to enable members to consider all options before transacting)</p> <p>The HL annuity service is not required but provides a point of contact for members who would otherwise not know how to purchase an annuity and also enables the small number of members who do require an annuity to source the best rate (Aviva only offers an Aviva annuity).</p>
Performance of this feature	Retirement process works well.

Every aspect of the scoring matrix set out above was rated either "2" (demonstrates appropriate breadth/quality) or "3" (demonstrates good breadth/quality) for the reasons set out above. Overall, the Trustee concluded that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market.

A copy of the Value for Members assessment for the 2022/23 Scheme year can be provided to members on request and a summary is published on the website www.myoneday.co.uk

- **Trustee's knowledge and understanding (TKU) –The Scheme's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively.**

Each Trustee Director must be conversant with the trust deed and rules of the Scheme, the Scheme's SIP and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally.

All the Trustee Directors are familiar with and have access to copies of the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments.

Each Trustee Director must also have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as Trustee Director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

The Trustee has a strong TKU process in place which enables it, together with the advice available to it, to effectively exercise its functions as trustee of the scheme. The Trustee's advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material.

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The Trustee's approach to meeting the TKU requirements includes:

- An induction/training programme is implemented for new Trustee Directors, focusing on training requirements for the first 12 months. This includes one-to-one meetings with the in-house team, sessions with the Scheme's advisors on specific issues, where appropriate and attendance at external training sessions including those run by industry organisations such as the PLSA. The aim of the induction programme is to ensure that new Trustee Directors are brought up to speed on their role and are able to exercise their functions proficiently upon appointment.
- Maintaining a rolling programme of bespoke trustee training, which is delivered within trustee meetings, where appropriate. Recording all training and attendance at appropriate seminars in a trustee training log. A minimum of 25 hours professional development is required each year by each member of the Trustee Board and this is in addition to regular meetings and duties. However, due to the impact of the COVID-19, the minimum CPD requirement for 2021/22 was 15 hours and this continued in 2022/23 and will be again in 2023/24. It was noted most Trustee Directors completes more than 15hrs annually.

The appointment of specialist Defined Contribution advisers who attend each DC Committee meeting in order to provide specialist advice on Defined Contribution issues to support the existing knowledge and understanding of the Trustee Directors. Advisers proactively raise any changes in governance matters and other relevant matters as they become aware of them.

- Circulating to each Trustee hot topics and general updates from its advisers about matters relevant to the Scheme.
- The Chair of the Trustee meets on a 1-2-1 basis with all Directors on an annual basis to identify development needs and, if required, this is translated into training objectives for the future. The last 1-2-1 sessions took place in July 2023.
- Reviewing the training programme annually following the 1-2-1 with the Chair. This includes the Trustee assessment of the following: their working knowledge of the Trust deed and rules, current SIP and trustee documents and policies; knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding and investment of occupational DC schemes. Each Trustee Director is required to have a working knowledge of the Scheme Documentation and relevant legislation. This is supported through taking appropriate advice when making decisions. This assessment concluded that the level of TKU gained by each Trustee Director was appropriate for the effective running of the Scheme.
- During the period covered by this statement, the DC Committee received training on the following DC topics

Training Content	Date
Administration Processes	March 2023
Investment Strategy Review	March 2023
TCFD Reporting Requirements	March 2023
Security of Assets - Review	March 2023
tPR Guidance Statement and Pensions Dashboards	March 2023
Topical Update – inc tPR General Code, Cyber Governance	March 2023
Scheme Provider Review	November 2022

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TCFD Reporting Requirements	November 2022
Member Retirement Support Training	November 2022
Administration Processes	November 2022
Pensions Dashboards	November 2022
Topical Update – inc diversity and succession planning, SMPI assumptions	November 2022
Trustee Training Day inc DC Governance, Structure of the Trust, Other DC vehicles, cyber security, data protection, TCFD and investments	October 2022
Scheme Provider Review	September 2022
DC Code of Practice	September 2022
Governance Requirements inc Chair's Statement, VfM, Implementation Statement etc	September 2022
TCFD Reporting Requirements	September 2022
Pensions Dashboards	September 2022
Topical Update inc General Code of Practice	September 2022
Communications Review	June 2022
Governance Requirements in Chair's Statement, VfM	June 2022
TCFD Reporting Requirements	June 2022
Topical Update inc Pensions Dashboards, SMPI assumptions, Normal Minimum Pension Age changes	June 2022

- Given the complex nature of Pensions legislation and regulations there will inevitably be gaps in the knowledge of individual Trustee Directors but the collective Trustee and individual Director knowledge is considered to be at a good level and is monitored and considered through annual 1-2-1 sessions with the Chair and discussions at quarterly Committee meetings.
- Completion of the Pensions Regulator's Trustee Toolkit (which has been completed by all Directors) and regularly keeping up with updates. Dates when each Director last completed the toolkit:

Director	Date of completion
Director 1	2017
Director 2	2017
Director 3	2017
Director 4	2018
Director 5	2018
Director 6	2018
Director 7	2020

The Trustee is satisfied that it has met the relevant legislative requirements enabling it to properly exercise its duties as Trustee. Trustee board members undertook an aggregate of 238 hours of CPD and/or training in the Scheme year to 31 March 2023.

Formal pension conferences, quarterly technical updates and presentations from the Principal Employer on group finance and operations also took place

On the basis set out above, the Trustee is satisfied that its combined knowledge and understanding (alongside input from advisers) enables it to properly and effectively exercise its functions.

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- **AVCs**

During 2020, the legacy AVC arrangements with Utmost and Aviva were consolidated into the DC Section. A legacy AVC policy remains in place with Utmost in respect of four members who are over age 75. These members continue to be traced or communicated with so their benefits can be settled.

In conclusion, the Trustee believes that it has taken all necessary steps to meet the relevant legislative requirements.

Signed by the Chair on behalf of the Trustee of the Scheme:

Dated: 25 October 2023

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Statement of Investment Principles (extracts relevant to the DC section)

1. Introduction

The Babcock Pension Trust Limited (“the Trustee”) of the Babcock International Group Pension Scheme (“the Scheme”) has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Act”) and subsequent legislation. The Statement sets out the investment principles that govern decisions about the Scheme’s investments.

In preparing this Statement the Trustee has consulted Babcock International Group PLC (“the Sponsoring Company”) to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Scheme’s investment arrangements.

The Scheme provides two types of benefit, one linked to final salary (the “Defined Benefit (DB) Section”) and the other is a money purchase arrangement (the “Defined Contribution (DC) Section”).

In preparing this Statement the Trustee has considered written advice on the DB section received from the Scheme’s investment adviser, Mercer Ltd, and on the DC section from the Scheme’s investment adviser, Willis Towers Watson Limited. Both are considered to be suitably qualified and are authorised under the Financial Services and Markets Act 2000 (as amended). The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

2. Process For Choosing Investments

The process for choosing investments is:

- The Trustee identifies appropriate investment objectives and considers its own investment beliefs.
- The Trustee sets the investment strategy based on a level of risk that is consistent with meeting the Scheme’s objectives.
- The Trustee is responsible for the investments of the Scheme. However, the implementation of the investment strategy determined by the Trustee has been delegated to the Scheme’s Investment Committee (“IC”) and Defined Contribution Committee (“DC Committee”) as outlined below.

For the Defined Contribution Section, the Defined Contribution Committee (“DC Committee”) has been created to manage its operation under the oversight of the Trustee. Its responsibilities are set out in its Terms of Reference, under which the DC Committee operates.

The Trustee sets formal performance objectives for its investment advisers (for the DB and DC sections) and these objectives are subject to regular monitoring by the IC and the DC Committee respectively.

3. Defined Benefit Section *(not reproduced here)*

4. Defined Contribution Section

4.1 Investment Objectives

The Trustee recognises that members have differing investment needs and that these may change during the course of members’ working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances but acknowledges that few members do take active decisions regarding their investments.

The following encapsulates the Trustee’s objectives:

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- To make available a range of investment funds that enable members to tailor their own investment strategy to meet their own personal and financial circumstances.
- Offer funds that facilitate diversification and long term capital growth (i.e. in excess of price and wage inflation) in order to maximise the value of members' assets.
- Offer a range of funds that allow members to manage the different risks that they can be exposed to, dependent upon how they draw their benefits.
- Offer funds that provide members good value-for-money both in terms of financial cost and administrative, operational and other relevant features.
- To restrict the number of funds to avoid unnecessarily complicating members' investment decisions.
- To provide a default investment option for members who do not make their own investment decisions.
- To offer funds that appropriately reflect the Trustee's investment beliefs.

The Trustee is responsible for deciding the range of funds to offer, but has no influence on how the investment managers choose the underlying investments within the funds as the assets are pooled with many other investors to obtain economies of scale. Nevertheless, notwithstanding how the assets are managed, the Trustee has taken investment advice regarding the suitability of the relevant investment vehicles.

The Trustee regularly obtains professional advice and through the DC Committee monitors and reviews the suitability of the funds provided. The DC Committee may change the managers or investment options.

The Trustee prepares a Chair's Statement on an annual basis for the DC section of the Scheme. Amongst other things it covers the Trustee's assessment of the Scheme's default fund and the charges and costs associated with all the funds available for members. A copy can be accessed at www.myoneday.co.uk

4.2 Risk

The Trustee has considered risk from a number of perspectives. These are:

- *Risk of capital loss in nominal terms.* The protection of capital, over at least the medium-term (i.e. periods over 3 years), is fundamental in supporting the long-term growth of the members' individual accounts.
- *Risk of erosion by inflation.* If investment returns lag inflation over the period of membership, the real (i.e. post inflation) value of the members' individual accounts will decrease.
- *Annuity pricing risk.* This refers to the risk of a downturn in markets in the period leading up to retirement resulting in a reduction in the amount of pension that can be purchased.
- *Conversion risk.* The risk arising from market movements, relative to a member's retirement objective (i.e. annuity purchase, cash lump sum, etc.)
- *Market risk.* The value of securities, including equities and interest bearing assets, can go down as well as up. Members may not get back the amount invested. However, the Trustee realises that this risk is implicit in trying to generate returns above that earned by cash and accepts this by investing in assets other than cash.

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- *ESG risk.* See sections 3.2.1 and 8 for the Trustee's overall view on ESG. With regard to the DC funds the Trustee writes periodically to the Fund managers to assess how they meet the Trustee's principles.
- *Liquidity risk.* The Scheme must be able to meet its liabilities as and when they become due. Members invest in a range of pooled investment vehicles that facilitate the availability of assets to meet benefit outflows.

The Trustee has considered these risks when setting the investment strategy and ultimately when choosing the funds to make available to members as detailed in the following section.

4.3 Investment Strategy

The Trustee believes, having taken expert advice, that it is appropriate to offer a range of investment funds to allow members to tailor their own investment strategy if they wish. Other members may prefer to use the packaged Lifestyle strategies or to remain in the default option.

4.3.1 Lifestyle strategies (including default)

The Trustee recognises that, while the fund range should help members choose funds, from an administrative and practical perspective there is merit in providing a default option and self-select Lifestyle strategies for members who are unlikely to want to make their own choice of funds. With the introduction of auto-enrolment there is also a requirement to have a default option available. The Trustee has decided that this default should take the form of Lifestyle strategies which are also available for members to choose voluntarily. In reviewing the default, the Trustee gave due consideration to the profile of the Scheme membership and its likely needs in accordance with the Pensions Regulators Code of Practice.

All the Lifestyle strategies progressively and automatically switch members from higher risk/higher returning funds to lower risk/lower returning funds as the member approaches their selected retirement date.

The Trustee has decided to offer the following Lifestyle strategies to members:

Target Lump Sum – for members likely to draw the whole pot as cash at retirement (default option).

Having taken appropriate advice, the Trustee has decided that the Target Lump Sum (default) Lifestyle strategy will be:

- Invested in the Global Equity Fund until 20 years before retirement
- Gradually switched from the Global Equity Fund to the Diversified Growth Fund for the period from 20 to 10 years before retirement
- Invested in the Diversified Growth Fund for the period 10 to 5 years before retirement
- Gradually switched to hold 40% in the Diversified Growth Fund and 60% in the Money Market Fund over the final five years before retirement.

The expected return of the fund is to achieve returns similar to the underlying funds and their respective benchmarks set out in section 4.3.2.

The Trustee and DC Committee will review the appropriateness of the default option periodically.

Target Flexibility – for members likely to facilitate drawdown of capital at retirement (self-select option).

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Having taken appropriate advice, the Trustee has decided that the Target Flexibility Lifestyle strategy will be:

- Invested in the Global Equity Fund until 20 years before retirement
- Gradually switched from the Global Equity Fund to the Diversified Growth Fund for the period from 20 to 10 years before retirement
- Invested in the Diversified Growth Fund for the period 10 to 5 years before retirement
- Gradually switched to hold 70% in the Diversified Growth Fund, 20% in the Target Level Annuity Fund and 10% in the Money Market Fund over the final five years before retirement.

The expected return of the fund is to achieve returns similar to the underlying funds and their respective benchmarks set out in section 4.3.2.

Target Annuity – for members likely to purchase an annuity at retirement (self-select option).

Having taken appropriate advice, the Trustee has decided that the Target Annuity Lifestyle strategy will be:

- Invested in the Global Equity Fund until 20 years before retirement
- Gradually switched from the Global Equity Fund to the Diversified Growth Fund for the period from 20 to 10 years before retirement
- Gradually switched to hold 50% in the Diversified Growth Fund and 50% in the Target Level Annuity Fund for the period from 10 to 5 years before retirement
- Gradually switched to hold 75% in the Target Level Annuity Fund and 25% in the Money Market Fund over the final five years before retirement.

The expected return of the fund is to achieve returns similar to the underlying funds and their respective benchmarks set out in section 4.3.2.

The Trustee is aware that no default fund or Lifestyle strategy can be appropriate for all members because of their varying needs and attitudes to risk. The Trustee would therefore encourage members to periodically consider whether how they are invested continues to be appropriate for their circumstances.

4.3.2 Additional single asset class fund options

The Trustee has decided to offer the following funds to self-select members:

Funds	Benchmark
Emerging Market Equity Fund	MSCI Emerging Markets
Global Equity Fund	10% FTSE All-Share Index 75% FTSE All-World Developed (ex UK) Index 15% MSCI Emerging Markets
Diversified Growth Fund	60% MSCI World, 40% iBoxx £ Non-Gilts
Target Increasing Income Fund	FTSE UK Gilts Index-Linked Over 5 Years Index
Target Level Income Fund	60% iBoxx Sterling Non-Gilts, 40% FTSE A Gilts Over 15 Years
Shariah Fund	Dow Jones Islamic Market Titans 100 Index
Stewardship Fund	FTSE All-Share index

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Money Market Fund	7 Day GBP LIBID
Climate Focused Fund	MSCI ACWI

Day-to-day management of the assets is at the discretion of the managers of the pooled funds.

Members should not make investment decisions on the basis of this document.

The Trustee believes that this strategy meets the investment objectives outlined in section 4.1 and controls the risks identified in section 4.2.

5. Day-to-Day Management of the Assets

The day to day management of the assets has been delegated to a number of investment managers. The IC and DC Committee have taken steps to satisfy themselves that the managers have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently.

The IC and DC Committee regularly review the continuing suitability of the Scheme's investments, including the appointed managers and the balance between active and passive management, which may be adjusted from time to time and reported to the Trustee. However, any such adjustments would be done with the aim of ensuring the overall levels of risk and return are consistent with those being targeted by the Trustee.

6. Additional Assets

Additional Voluntary Contributions ("AVCs") are invested in the same fund options as the DC Section through a bundled arrangement with Aviva. In addition, a small number of members retain investments with Utmost Life & Pensions (previously via policies with Equitable Life).

7. Realisation of Investments

The investment managers have discretion in the timing of realisation of investments.

8. Environmental, Social, and Corporate Governance, Stewardship and Climate Change

The Trustee believes that environmental, social, and corporate governance ("ESG") factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee takes a pragmatic approach to ESG issues and considers the materiality in terms of both risk and return.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors and exercising voting rights and stewardship obligations attached to the investments (including those in relation to the Default Lifecycle), in accordance with their own corporate governance policies and current best practice. The Trustee encourages the Scheme's DB and DC managers to comply with the UK Stewardship Code.

The Trustee (via the DC Committee) undertakes annual ESG monitoring of several of the DC Section managers and will consider how to extend this to other DC Section managers in future.

The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Investment managers are expected to provide reporting to the Trustees on a regular basis, on ESG integration progress, stewardship monitoring results, and climate-related metrics where relevant and where data is available.

The Trustee has identified some key themes to use to engage with investment managers, including climate change; human rights (including modern slavery); executive remuneration; voting against chair when the board is not sufficiently diverse; and voting which has the potential to substantially impact

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financial or stewardship outcomes (for example through over-leveraging the business or through implementing proposals that would weaken the corporate governance). The Trustee has also considered broad alignment with the Sponsoring Company's sustainability priorities when defining these themes.

The Trustee has established a TCFD Working Group, a sub-committee to support and guide the Trustee's work on compliance with the TCFD recommendations, which specifically focusses on climate-related issues for the DB and DC sections of the Scheme. The Trustee is also assessing, managing and reporting ESG-related climate risks in line with the TCFD recommendations.

The Trustee can regularly review the decisions made by their managers, including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best long-term performance over the medium to long-term. In addition, the Trustee carries out regular reviews of the DB managers' ESG policies and actively engages with DB managers to better understand their processes.

Monitoring is undertaken on a regular basis. The Trustee has not currently set any investment restrictions on the appointed investment managers in relation to particular products or activities. Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they may look to replace the manager.

Member views are not taken into account in the selection, retention and realisation of investments. DC members have the opportunity to choose from a range of funds which includes an ESG focussed fund and a Shariah fund to allow them to express their views in this regard.

9. Investment Manager Appointment, Engagement and Monitoring.

In line with sections 2 – 4 of the SIP, investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which they are selected.

DC Section

Alignment between an investment manager's management of the DC Section's assets and the Trustee's policies and objectives is a fundamental part of the appointment process of a new investment manager. As the DC section only invests in pooled investment funds, the Trustee cannot directly influence or incentivise investment managers to align their management of the funds with the Trustee's own policies and objectives.

However, the Trustee will seek to ensure that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also seek to ensure that the investment objectives and guidelines of any particular investment fund used are consistent with its own policies and objectives. Furthermore, the Trustee will seek to understand the investment manager's approach to sustainable investment (including engagement).

The Trustee is responsible for monitoring the investment funds and managers. As part of this, the Trustee will provide investment managers with the most recent version of this SIP on an annual basis and ask managers to explicitly confirm whether they believe there is any misalignment between the objectives and guidelines of the fund(s) they manage on behalf of the Scheme, or the manager's approach to sustainable investment, and the Trustee's policies as documented in the SIP.

Should the Trustee's monitoring processes reveal that an investment fund's objectives and guidelines, or an investment manager's approach to sustainable investment, do not appear to be sufficiently aligned with the Trustee's policies, the Trustee will engage with the investment manager to ascertain the reasons for this and whether closer alignment can be achieved. If this is not possible the Trustee may look to replace the fund.

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The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. For most of the DC Section investments, the Trustees expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.

When assessing an investment manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an investment manager's appointment based purely on short term performance. However, an investment manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

Investment managers are paid a fee expressed as a percentage of assets managed, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.

The Trustee reviews the costs incurred in managing the Scheme's assets on an annual basis, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that type of fund.

10. Review of this Statement

The Trustee will review this Statement regularly, and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments. The Sponsoring Company will also be consulted regarding any change to this Statement.

11. Compliance with this Statement

The Trustee monitors compliance with this Statement on a regular basis or after any review.

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Investment Report

Introduction and Governance

Summary of Scheme Investment structure for DB section

The overall investment policy of the Scheme is determined by the Trustee having taken advice from their advisers, Mercer Limited. The Trustee is responsible for determining the investment strategy and manager appointments within each section after taking appropriate advice. The Trustee has delegated the day-to-day management of investment to professional investment managers. These managers undertake, within restrictions in the contractual documentation, the day-to-day management of the asset portfolio, including the full discretion for stock selection.

The Trustee has produced a Statement of Investment Principles (“SIP”) in accordance with Section 35 of the Pensions Act 1995, the Occupational Pension Scheme’s (Investment) Regulations 2005 and subsequent legislation. The latest available version of the SIP is dated September 2023. During the year to 31 March 2023 there were no changes to the SIP. Post year-end, the Trustee has reviewed the SIP to reflect changes in the Scheme’s investment strategy. The Trustee’s policies relating to financially material considerations over an appropriate time horizon, non-financial matters, the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments are summarised below. A copy of the SIP is available online (www.myoneday.co.uk).

Employer Related Investments

Under the Pensions Act 1995 particular types of investment are classed as “employer-related investments”. Under laws governing employer related investments (“ERI”) not more than 5% of the current value of scheme assets may be invested in ERI (subject to certain exceptions). In addition, some ERI is absolutely prohibited, including an employer related loan or guarantee. In September 2010 the prohibition of Employer Related Investments was extended to cover pooled funds, excluding funds held in life wrappers.

The Trustee reviews its allocation to employer-related investments on an on-going basis and is satisfied that the proportion of the Scheme’s assets in employer-related investments does not exceed 5% of the market value of the assets during the year to 31 March 2023, nor does the Scheme hold any prohibited employer related investments; the Scheme therefore complies with legislative requirements. This will continue to be monitored going forward.

Market Background (Year to 31 March 2023)

Investment Markets¹

The second quarter of 2022 saw a continuation of the broad macro trends seen since the beginning of the year. Surging commodity prices, to some degree the result of the ongoing conflict in Ukraine and associated sanctions against Russia, alongside the enormous monetary and fiscal stimulus of the last two years led to new multi-decade inflation records. Central banks in major regions doubled down on monetary tightening as a consequence, resulting in elevated market volatility and a sell-off in pretty much all asset classes except commodities. Growth expectations were dialed down over the quarter, with a growing number of investors seeing a recession as an increasingly plausible scenario. On the brighter side, there was evidence of supply chains gradually beginning to improve.

Inflation and central bank policy continued to drive markets in the third quarter of 2022. Inflation readings in most major regions remained high and rising. Central banks therefore continued to tighten monetary policy and maintained a hawkish outlook, resulting in elevated market volatility. Risk assets rose in July on the back of hopes of inflation peaking and the hiking cycle ending, but these hopes were quashed later in the quarter. Furthermore, markets priced in the increasing risk of a recession resulting from the monetary tightening. Therefore most major asset classes ended the quarter with negative returns. Significant continued weakening in sterling mitigated the drawdown for unhedged UK investors. The conflict in Ukraine added to negative sentiment as Russia stepped up its anti-west rhetoric and further restricted natural gas supplies to Europe which

¹ Statistics sourced from Refinitiv unless otherwise specified.

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exacerbated pressure on energy prices. Volatility spiked in UK markets at the end of the quarter as an unfunded fiscal budget led to a sell-off in government bond markets.

In the fourth quarter, developed market central banks continued tightening monetary policy but at a slowing pace. Inflation remained on a downward trend from high levels. In China, an end to all Covid-related restrictions boosted sentiment as investors priced in an economic rebound. The narrative of peaking inflation and resilient economic growth drove positive equity returns during October and November, but hawkish messaging from central banks in December led to a premature end of the “Santa rally” even though the quarter as a whole ended with positive equity returns for the first time in a year.

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 more elevated than expected.

Overall, the 12-month period to March 2023 saw tightening of financial conditions by major central banks, with the notable exception of China and to some extent Japan. Inflation remained elevated and peaked in the fourth quarter of 2022.

Equity Markets

At a global level, developed markets as measured by the FTSE World index returned -0.7%. Meanwhile, a return of -3.9% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 8.7% 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 2.9%. The FTSE USA index returned -2.4% while the FTSE Japan index returned 2.0%. 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 March 2023.

Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index returned -16.3%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -29.7% 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 1.7% to 3.7% while the Over 15 Year index yield rose from 1.7% to 3.8%.

The FTSE All Stocks Index-Linked Gilts index returned -26.7% with the corresponding over 15-year index exhibiting a return of -39.1%. 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 -10.3%.

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

Property

Over the 12-month period to 31 March 2023, the MSCI UK All Property Index returned -14.7% in Sterling terms. All three main sectors of the UK Property market too recorded negative returns over the period (retail: -7.8%; office: -13.2%; and industrial -21.2%). The CBRE Property Fund in which the Scheme invests continues to be wound down.

Currencies

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Over the 12-month period to 31 March 2023, Sterling depreciated by 6.1% against the US Dollar (from \$1.32 to \$1.24), but appreciated by 3.0% against the Yen (from ¥159.81 to ¥164.56). Sterling depreciated against the Euro by 3.8% (from €1.18 to €1.14).

Defined Benefit Section (“DB Section”)

Role of Trustee

The Trustee appoints, and regularly reviews the performance of the independent investment managers to manage the assets from day to day. The Scheme's assets are invested in a range of sectors. The Trustee has set guidelines for each manager. These guidelines define the types of investment, the proportion of the assets to be held in each and the investment performance objectives for the manager to achieve. The investment manager's fees are based on the value of the assets it manages and, in some cases, a proportion of the fees are based on performance. Performance is monitored by the investment adviser who reports to the Trustee on a quarterly basis.

Longevity Swap with Credit Suisse

The Trustee entered into a longevity swap agreement with Credit Suisse in respect of a group of pensioners and dependants of the Scheme with effect from 18 December 2009. Under this agreement, the Trustee pays a pre-determined monthly amount to Credit Suisse (a "fixed leg") and Credit Suisse pays to the Trustee an amount required to broadly cover the actual monthly pension payroll for this group (the "floating leg"). This agreement is ongoing and continued during the year.

To provide security to both parties, on a monthly basis collateral is posted by the Trustee to Credit Suisse (or from Credit Suisse to the Trustee if negative) equal to the present value of all future payments from the Trustee to Credit Suisse less the present value of all future payments from Credit Suisse to the Trustee. This is an indication of the amount of money each party would pay / receive should the contract be terminated before completion.

For the purposes of the financial statements, the value of the longevity swap contract at the end of the accounting period has previously been taken to be equal to the total collateral required to be posted at that date. For the year to 31 March 2023 the Trustee has utilised an alternative approach, using a valuation of a notional replacement swap, which it considers to represent a better estimate of the fair value of the swap, and intends to maintain this basis in future.

Investment Policies and Objectives

The Trustee's objective is to invest the Scheme's assets in the best interests of the members and beneficiaries. The Trustee has agreed a number of investment objectives to help guide its strategic management of the assets and control the various risks to which the Scheme is exposed. The Trustee's primary objectives are:

- To ensure that the Scheme's benefit obligations can be met.
- That, overall, there is a high level of security of benefits.

When designing the investment arrangements, the Trustee consider the requirements of legislation, the funding objectives for the Scheme and their views of the financial strength of the Sponsoring Company.

Financially and Non-Financially Material Matters in the Selection, Retention and Realisation of Investments, the Exercising of Rights Attached to Investments and Engagement Activities

Responsible Investment and Corporate Governance

The Trustee believes that environmental, social, and corporate governance (“ESG”) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly

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climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee takes a pragmatic approach to ESG issues and considers the materiality in terms of both risk and return.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee encourages the Scheme's DB and DC managers to comply with the UK Stewardship Code.

The Trustee has communicated to the DB section managers (via the Investment Committee ("IC")) clear expectations that the Scheme's investment managers consider the risks and return opportunities that may arise by considering ESG factors within their overall investment processes.

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

The Trustee also considers the investment adviser's assessment of how each of the investment managers embed ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustee regularly reviews the decisions made by their managers, including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best performance over the medium to long term. In addition, the Trustee carries out regular reviews of the managers' ESG policies and actively engages with the managers to better understand their processes.

Monitoring is undertaken on a regular basis. The Trustee has not currently set any investment restrictions on the appointed investment managers in relation to particular products or activities. Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they may look to replace the manager.

Member views are not taken into account in the selection, retention and realisation of investments.

Investment Manager Appointment, Engagement and Monitoring

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which they are selected.

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

As part of the IC's regular reporting to the Trustee, the Trustee receives investment manager performance reports on a quarterly basis, which present performance information over and the short and medium terms as well as since inception. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustee's focus is on long term performance but will put a manager 'on watch' if there are short term performance or operational concerns. Additionally the IC will regularly meet with managers to discuss performance and approach to meeting the Trustee's overall objectives.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives and may ask the manager to review their fees – either the Annual Management Charge or the performance related fee element.

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Some appointments are actively managed and the managers are incentivised through remuneration (via performance related fees, noting that some have hurdle rate structures in place to avoid the Trustee paying additional fees during periods of long term underperformance) and performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds (on an asset class basis) regularly.

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

The Trustee does not currently monitor portfolio turnover costs but is looking to do this by adhering to the Cost Transparency Initiative, under which data will be collected on the costs of the Scheme's investment managers, and as part of regular governance reviews. The Trustee will engage with a manager if portfolio turnover is higher than expected. This is assessed by comparing portfolio turnover as reported by the investment managers, across the same asset class, on a year-for-year basis for the same manager fund, or relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus (where applicable).

The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis.

For open-ended funds in which the Scheme invests, there is no set duration for the manager appointments. The Trustee will retain an investment manager unless there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager; or the manager appointment has been reviewed and the Trustee has decided to terminate – see policy statement on realisation of assets. For closed-ended funds, the Scheme is invested in a manager's fund for the lifetime of the fund. At the time of appointment, the investment managers provided an indication of the expected investment duration of their funds and have the discretion to extend the lifetime of the fund in line with the Investment Management Agreement. In order to maintain a strategic allocation to such asset classes, the Trustees may choose to stay with a manager in a new closed fund for that asset class or appoint a different manager.

Investment Portfolio

Over the year under review, the Trustee reviewed the investment strategy and made a number of changes to the invested assets including terminating a number of mandates. A high-level summary is provided below.

Manager	Mandate	Asset Allocation		Summary of Changes ^(a)
		Start of Year (%)	End of Year (%)	
Insight	Global Minimum Volatility Equity	5.1	-	Disinvested during the period
Insight	World Low Carbon Equity	-	5.7	Invested during the period
Wellington	Global High Yield	1.3	-	Disinvested during the period ^(b)
LGIM	Global Buy and Maintain Credit	8.5	8.4	Reduced allocation during the period ^(b)
Janus Henderson	Global Buy and Maintain Credit	2.8	-	Disinvested during the period ^(b)
Insight	Liquid Asset Backed Securities	4.4	0.1	Reduced allocation during the period ^(b)
M&G	Absolute Return Bonds	4.9	-	Disinvested during the period ^(b)
M&G	Secured Finance	6.7	8.3	Reduced allocation during the period (Mandate set into run-off. Capital distribution received in Q1 2023)

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Insight	Matching	39.6	42.5	Actual allocation changed over the period
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Source: Investment Managers and Mercer.

^(a) The overall value of the Scheme's assets reduced over the year. As such, some of the allocations for mandates that were reduced in monetary terms represented a similar or higher proportion of total assets as at the year-end.

^(b) Disinvestments were made from a number of mandates with proceeds invested in the Insight Matching portfolio to support collateral requirements during the gilt market crisis in Q3/Q4 2022.

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Asset Allocation

The Trustee invests in segregated portfolios, pooled investment vehicles and derivative contracts. The Trustee has authorised the use of derivatives by the investment managers for efficient portfolio management purposes including to reduce certain investment risks such as interest rate risk and inflation risk. The principal investment in derivatives is gilt repurchase agreements, interest rate and inflation swaps in the liability matching portfolio and futures in the return seeking portfolio.

The following table provides more detail on the distribution of assets for the Scheme's DB Section.

Manager/Asset Class	Asset Allocation			
	Start of Year (£m)	End of Year (£m)	Start of Year (%)	End of Year (%)
Insight - Global Minimum Volatility Equity	75.6	-	5.1	-
Insight - World Low Carbon Equity	-	61.0	-	5.7
Global Equity	75.6	61.0	5.1	5.7
Arrowgrass - Multi-Strategy	0.2	0.0	0.0	0.0
Multi-Strategy	0.2	0.0	0.0	0.0
CQS - Multi-Asset Credit	37.3	35.4	2.5	3.3
Oak Hill - Multi-Asset Credit	37.3	36.7	2.5	3.4
Multi-Asset Credit	74.6	72.1	5.0	6.7
Wellington - Global High Yield	19.8	-	1.3	-
Global High Yield	19.8	-	1.3	-
CBRE - Property	4.4	3.0	0.3	0.3
ICG-Longbow - Fund III (Real Estate Debt)	0.4	0.0	0.0	0.0
ICG-Longbow - Fund V (Real Estate Debt)	21.6	28.7	1.5	2.7
Patrizia (formerly Rockspring) - Property	1.0	0.0	0.1	0.0
Property	27.5	31.8	1.9	3.0
Growth Portfolio	197.8	165.1	13.3	15.4
LGIM - Global Buy and Maintain Credit	125.5	89.7	8.5	8.4
Insight - Global Buy and Maintain Credit	129.8	116.7	8.7	10.9
Janus Henderson - Global Buy and Maintain Credit	42.0	-	2.8	-
Global Buy and Maintain Credit	297.3	206.4	20.0	19.3
Insight - Liquid Asset Backed Securities	64.9	0.6	4.4	0.1
Asset-Backed Securities	64.9	0.6	4.4	0.1
M&G - Absolute Return Bonds	72.3	-	4.9	-
H2O - Absolute Return Bonds (Adagio)	2.6	2.5	0.2	0.2
H2O - Absolute Return Bonds (Allegro)	5.3	4.5	0.4	0.4
Absolute Return Bonds	80.2	7.0	5.4	0.7
M&G - Secured Finance	100.0	88.3	6.7	8.3
Aviva - HLV Property	117.1	98.4	7.9	9.2

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Manager/Asset Class	Asset Allocation			
	Start of Year (£m)	End of Year (£m)	Start of Year (%)	End of Year (%)
Cambridge Associates - Private Debt	38.7	49.0	2.6	4.6
Insight Matching ^(a)	588.1	454.6	39.6	42.5
Low Risk and Income and Matching Portfolios	1,286.3	904.3	86.7	84.6
Total Scheme	1,484.1	1,069.5	100.0	100.0

Source: Investment Managers and Mercer. Figures may not sum to totals due to rounding.

Total asset figure includes residual assets from Bluecrest and BlackRock. Total asset figure excludes cash held in the Northern Trust cash custody account and the Trustee Bank Account. Allowing for cash held in the Northern Trust cash custody account and the Trustee Bank Account, total assets were to c.£1,523m as at 31 March 2022 and c.£1,079m as at 31 March 2023.

^(a) Excludes mark to market of Insight's equity swaps and includes margin posted to Insight's equity futures and currency hedging.

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Investment Performance (Net of Fees)

Manager/Asset Class	For the Year		Last 3 Years	
	Fund (%)	B'mark (%)	Fund (% p.a.)	B'mark (% p.a.)
Insight - World Low Carbon Equity ^(a)	-	-	-	-
CQS - Multi-Asset Credit	-5.2	5.8	6.6	4.3
Oak Hill - Multi-Asset Credit	-0.5	5.8	7.8	4.3
CBRE – Property	-20.8	-14.5	0.2	2.6
ICG-Longbow - Fund V (Real Estate Debt)	20.4	5.8	11.5	4.3
Growth Portfolio ^(b)	-0.5	5.8	5.6	4.3
LGIM - Global Buy and Maintain	-7.2	-7.1	-1.0	-0.9
Insight - Global Buy and Maintain	-10.3	-10.2	-2.0	-1.9
Insight - Liquid Asset Backed Securities	1.8	2.3	1.7	0.8
H2O - Absolute Return Bonds (Adagio)	-7.3	2.3	-15.4	0.8
H2O - Absolute Return Bonds (Allegro)	-14.2	2.3	-5.2	0.8
M&G - Secured Finance	1.9	2.3	5.2	0.8
Aviva - HLV Property	-12.9	-14.3	1.9	0.0
Cambridge Associates - Private Debt	10.3	-1.5	7.3	8.5
Low Risk and Income Portfolio ^(c)	-4.9	3.8	2.0	2.3
Matching Portfolio	-55.4	-56.3	-23.0	-23.8
Total ^(d)	-25.0	-19.3	-6.4	-5.7

Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv.

^(a) The mandate has not been in place for a full 1 year period, as such performance over the periods shown is not available.

^(b) Performance is based on the growth portfolio returns including equity futures and swaps. Benchmark quoted as LIBOR +3.5% p.a. prior to 31 December 2021; SONIA +3.5% p.a. thereafter.

^(c) Performance is based on low risk and income portfolio including currency hedging. Benchmark quoted as LIBOR +1.5% p.a. prior to 31 December 2021; SONIA +1.5% p.a. thereafter.

^(d) Performance includes equity swaps, equity futures and currency hedging impacts. Benchmark quoted as a composite of: SONIA + 3.5% p.a. for the growth portfolio, SONIA + 1.5% for the low risk and income portfolio and matching portfolio benchmarks, based on actual allocations.

The DB Section underperformed its return comparator over the 1 year and 3 year periods to 31 March 2023 by 5.7% (returning -25.0%) and by 0.7% p.a. (returning -6.4% p.a.), respectively.

Custodial Arrangements

The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. The majority of the Scheme's assets are invested in pooled funds. Where assets are invested in pooled funds, the Investment Managers are responsible for appointing custodians.

The Trustee has appointed Northern Trust for the safekeeping of the Scheme's Liability Driven Investment ("LDI") assets and Synthetic Equity Portfolios with Insight, as well as the Buy and Maintain portfolios managed by LGIM.

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In addition, Northern Trust has been appointed by the Trustee as global custodian for the Defined Benefit section of the Scheme, to provide it with a full and complete record of all holdings (including pooled and segregated mandates but excluding longevity swaps and AVC's).

The Trustee Directors are responsible for ensuring the Scheme's assets continue to be securely held. They review the custodian arrangements from time to time and the Scheme Auditor is authorised to make whatever investigations they deem are necessary as part of the annual audit procedure.

Defined Contribution Section ("DC Section")

The delegation of the day to day investment decisions to external investment managers is in accordance with the powers given to the Trustee by the documentation governing the Scheme. The Trustee regularly assesses the performance being achieved by the investment managers.

The Trustee has produced a formal Statement of Investment Principles which sets out its policy on investment issues including risk, expected return and diversification of investments. A full copy of the statement is available for inspection. The choice of investments over the year was consistent with the criteria of the Statement of Investment Principles.

Aviva continues to administer the Defined Contribution section. Members' funds are held with various funds on an Aviva platform. These funds maintain their own custodial arrangements.

Asset Class

A summary of the Defined Contribution Section is provided below:

Fund	31 March 2023	31 March 2022
	%	%
Global Equity	54.7	55.2
Diversified Growth	38.6	38.6
Emerging Market Equity	0.3	0.3
Target Level Annuity	0.3	0.4
Target Increasing Annuity	0.1	0.1
Stewardship	0.3	0.4
Money Market	5.4	4.6
Islamic	0.3	0.4
Total	100.0	100.0
Total Value	£885,569,000	£920,704,000

The total value of assets invested in the Defined Contribution section of the Scheme decreased by £35,135,000 over the year to 31 March 2023. This decrease reflects the net assets of the Defined Contribution Section as a whole and is impacted by a number of factors including changes in membership throughout the year, changes in contributions, transfers-in, the sum of returns on all investment funds being utilised by members and outflows as a result of retirements and other claims on the DC section. It does not therefore necessarily follow that members' personal funds will have decreased in line with this overall increase.

Review of investment performance

There are a number of funds available to DC members and the performance of the underlying funds is shown below:

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Fund	3 Months		12 months		3 Years (pa)		5 Years (pa)	
	Fund	Bench-mark	Fund	Bench-mark	Fund	Bench-mark	Fund	Bench-mark
Global Equity								
BlackRock Emerging Markets Equity	1.33%	1.14%	-5.34%	-4.91%	7.60%	7.93%	1.48%	1.65%
BlackRock UK Equity	3.49%	2.83%	2.55%	2.36%	14.15%	14.23%	5.04%	5.01%
BlackRock World (ex-UK) Equity	3.44%	3.38%	-3.22%	-3.47%	16.01%	16.04%	11.27%	11.32%
Emerging Market Equity								
BlackRock Emerging Market Equity	1.33%	1.14%	-5.34%	-4.91%	7.60%	7.93%	1.48%	1.65%
Diversified Growth								
LGIM Diversified	1.44%	3.92%	-5.55%	-4.38%	6.59%	8.72%	4.19%	6.47%
Target Increasing Annuity								
BlackRock Over 5 Year ILG	4.63%	5.15%	-29.62%	-29.47%	-10.27%	-10.36%	-3.88%	-3.95%
Target Level Annuity								
L&G Pre-Retirement	1.72%	3.46%	-20.34%	-18.62%	-8.46%	-10.04%	-3.15%	-2.64%
Money Market								
BlackRock Institutional Sterling Liquidity	0.92%	0.92%	2.33%	2.22%	0.89%	0.80%	0.86%	0.74%
Stewardship	3.70%	3.08%	1.59%	2.92%	11.14%	13.81%	5.18%	5.04%
Islamic Global Equity	9.70%	9.96%	-3.48%	-2.86%	15.88%	17.09%	13.94%	15.18%

Notes

All figures provided by Aviva. All figures based on performance to 31 March 2023.

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Annual Implementation Statement for the Scheme year ended 31 March 2023

Section 1 - Introduction

1.1 Introduction and purpose of this Statement

This document is the Annual Implementation Statement (“the Statement”) prepared by the Trustee of the Babcock International Group Pension Scheme (“the Scheme”) covering the scheme year to 31 March 2023. The Scheme is divided into two sections: the Defined Contribution (“DC”) Section and the Defined Benefit (“DB”) Section and the purpose of this Statement is to:

- detail any reviews of the Statement of Investment Principles (‘SIP’) the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review
- set out the extent to which, in the opinion of the Trustee, the Scheme’s SIP required under section 35 of the Pensions Act 1995 has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustee over the year

A copy of this Statement will be made available on the following website: www.myoneday.co.uk

1.2 Review of the SIP and changes made during the Scheme year

No changes were made to the SIP during the year to 31 March 2023, however, the SIP was reviewed and amended in September 2023¹. This Implementation Statement assesses performance against the previous SIP dated June 2020 over the year to 31 March 2023.

1.3 Adherence to the SIP

The Trustee believes the content of the SIP has been followed during the 2022/23 Scheme year and the justification for this is set out in the remainder of this section. For ease of reference, compliance with the SIP has been sub-divided into separate DC and DB sections to reflect the different considerations and policies applying to each section.

¹ The latest available version of the SIP can be found at: https://pensions.babcockinternational.com/key_information

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Section 2 - DC Section

2.1 Overall investment objectives as set out in the SIP

The Trustee's Objectives for the DC Section, as described in the SIP are to:

- Make available a range of investment funds that enable members to tailor their investment strategy to meet their own personal and financial circumstances.
- Offer funds that facilitate diversification and long-term capital growth (i.e. in excess of price and wage inflation) in order to maximize the value of members' assets, subject to taking appropriate levels of risk.
- Offer a range of funds that allow members to manage the different risks that they can be exposed to, dependent upon how they draw their benefits.
- Offer funds that provide members good value-for-money both in terms of financial cost and administrative, operational and other relevant features.
- Restrict the number of funds to avoid unnecessarily complicating members' investment decisions.
- Provide a default investment option for members who do not make their own investment decisions.
- Offer funds that appropriately reflect the Trustee's investment beliefs.

The Trustee meets these objectives by regularly reviewing the investment strategy - the last review was undertaken in March 2022 with further work being carried out in October 2022. The review considers such matters as: the demographic profile of the membership, the likely income choices members will make at retirement, developments in the money purchase/defined contribution market and legislative changes. Following these reviews, on the recommendation of the DC Committee, the Trustee concluded that a number of recommended changes should be considered further in 2023.

2.2 How does the Trustee meet its investment obligations?

For the DC Section, the Defined Contribution Committee ("DC Committee") has been created to manage its operation, including investment monitoring, under the oversight of the Trustee. Its responsibilities are set out in a Terms of Reference document, under which the DC Committee operates. The DC Committee meets quarterly to conduct its business – including monitoring the DC Section investment strategy and performance. The DC Committee provides a report of its activities to the Trustee at each subsequent Trustee's meeting.

The DC Committee has created a 'dashboard' to enable it to monitor its compliance with the SIP in key areas and which is reviewed at each quarterly DC Committee meeting. The latest results from the dashboard are summarized below, based on a red, amber, green rating:

Key area	Rating	Considerations
Trustee sets investment strategy	Green	Current strategy was set in 2016, with triennial reviews in Q1 2019, and Q1 2022 (with further work carried out in Q4 2022), and annual review in Q1 2021.
Trustee considers DC risks when setting strategy	Green	Considered as part of annual investment review.

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Trustee takes professional advice	Green	Advice received from Willis Towers Watson (“WTW”) DC Investment team.
Trustee has established a default	Green	Current default (broadly ‘cash facing’) was established in 2016 and is reviewed annually.
Trustee offers a range of funds to enable members to meet their personal/financial needs	Green	The Trustee offers two additional lifestyle options, plus a range of (currently nine) self-select funds to enable members to select funds that meet their risk/return aspirations. The range is reviewed annually.
Trustee limits range of funds to enable easier decision-making by members	Green	The range of funds/lifestyles is reviewed annually and benchmarked against comparable DC arrangements.

Further detail in respect of each of the areas above and other relevant areas is set out below.

Setting investment strategy

Current strategy was set in Q1 2016 in the wake of pension freedoms. The Trustee and DC Committee engaged WTW to support a review of its strategy, taking into account the demographic profile and expected needs of the DC Section’s current and expected future membership.

Strategy is ordinarily reviewed in Q1 of each year with the results presented and discussed during the Q1 DC Committee meeting which is typically held in February/March. The objectives for the strategy review are set by the DC Committee and agreed at the prior DC Committee meeting, which is typically held in November.

A more detailed strategy review is undertaken every three years, although triennial reviews can be undertaken more frequently if required (for example in the event of a significant change in membership).

The last triennial review of investment strategy was presented and discussed during the DC Committee meeting held on 9 March 2022, with further work being carried out and discussed at an additional DC Committee meeting on 7 October 2022. Given the timing of this additional 2022 work, the annual review scheduled for Q1 2023 primarily focused on continued fund suitability, sustainability and market developments.

Consideration of DC risks

The DC-specific risks described in the SIP (and how the DC Committee endeavours to mitigate these risks) are set out below. The original investment strategy set in 2016 and each subsequent review of strategy takes account of the overall balance of these risks. The most recent (triennial) investment review was presented to the DC Committee in March 2022 and subsequently in October 2022, and concluded that the current fund range continues to cover the risks described below:

Risk of capital loss in nominal terms – This is considered over the medium-term (three years plus) to enable short-term volatility to be smoothed. In this context, the use of equity and diversified growth funds is considered appropriate.

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Annual Implementation Statement for the Scheme year ended 31 March 2023

Inflation risk – The use of equity and diversified growth funds are expected to deliver above-inflation investment returns over the medium to long-term. Over the shorter term (less than three years), the DC Committee acknowledges that the investment return in some funds (Money Market) may not cover the inflation risk, but shorter-term considerations focus on mitigation of other risks (see below).

Annuity pricing risk – The DC Committee recognises that relatively few members will use their DC savings to purchase annuities. Nevertheless, for those members that may want to purchase annuities, the DC Committee offers two funds which are designed to protect members against changes in annuity pricing – for level and increasing annuities.

Conversion risk – The DC Committee is mindful of the risk of market movements that impact members expected retirement outcomes at the point they decumulate their DC savings. The current strategy makes available lifestyle strategies that cover cash, drawdown and annuity outcomes and are designed to minimise conversion risks so far as possible.

Market risk – The DC Committee remains willing to accept market risk over the medium to long term in order to try to generate higher investment returns for members.

Environmental, Social and Governance (ESG) risk – This is a relatively new risk that was added to the SIP as part of the changes that were made to the SIP during the 2019/20 Scheme year. The DC Committee recognises the growing interest in ESG factors – both from a regulatory perspective as well as from a member perspective. In light of this, the Trustee added a climate focused fund to the self-select fund range in January 2022.

Liquidity risk – All DC assets are invested in pooled funds, which are daily-priced and are readily accessible to meet benefits as they fall due. There is no exposure to commercial property funds, where disinvestment may be restricted. The DC Committee has started to tentatively consider the potential opportunities (and risks) from investing in illiquid areas (again as part of the annual investment review) but haven't formed any conclusions.

Professional advice

The Trustee and DC Committee are aware of the requirement to take professional advice when setting and reviewing investment strategy.

The Trustee has appointed WTW to provide such advice under a contract which is in force until 31 March 2025. In accordance with this engagement, WTW provides an annual investment strategy review (supplemented by a more detailed triennial strategy review) which includes recommendations in relation to the default, additional lifestyles and wider fund range.

Default strategy

The current default was constructed in 2016 following an analysis of member demographics and expected retirement outcomes. Based on the analysis carried out at that time, the construction of the default targets a (broadly) cash outcome on retirement as the overwhelming majority of pot sizes were expected to be relatively low in value (below £25,000 in most cases). The default is reviewed annually.

The default uses a lifestyle strategy, where assets are moved as the member approaches retirement, as follows:

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The strategy was last reviewed during the DC Committee meeting on 9 March 2022 and subsequently in October 2022 with the support of WTW. The DC Committee concluded that a number of recommended changes should be considered further in 2023. The Trustee concluded that the current strategy does however remain consistent with the aims and objectives of the default, as stated in the SIP.

Self-select fund range

In line with the Trustee's objective to enable members to set their own investment strategy, the Trustee also makes available a range of self-select funds.

Members who prefer to make their own investment choices can therefore choose from a range of individual funds which were selected by the Trustee in February 2016 after taking professional investment advice. The Trustee introduced a Shariah fund in July 2018 to help meet the needs of a diverse membership and a new climate-focused fund was added to the self-select range in January 2022 to meet likely member demand for such a fund and offer an appropriate choice within an ESG framework.

The current range of self-select funds and the purpose of these funds is as follows:

Current fund range	Purpose
Aviva Pension Emerging Market Equity (BIGPS)	Higher risk growth
Aviva Pension Global Equity (BIGPS)	High risk growth
Aviva Pension Diversified Growth (BIGPS)	Moderate risk growth
Aviva Pension HSBC Islamic Global Equity	Ethical (Religious) beliefs investment
Aviva Pension Stewardship (BIGPS)	Ethical beliefs investment
Aviva Pension Climate Focused (BIGPS)	Environmental beliefs investment
Aviva Pension Target Increasing Annuity (BIGPS)	Match inflation-linked annuity
Aviva Pension Target Level Annuity (BIGPS)	Match level annuity
Aviva Pension Money Market (BIGPS)	Capital preservation

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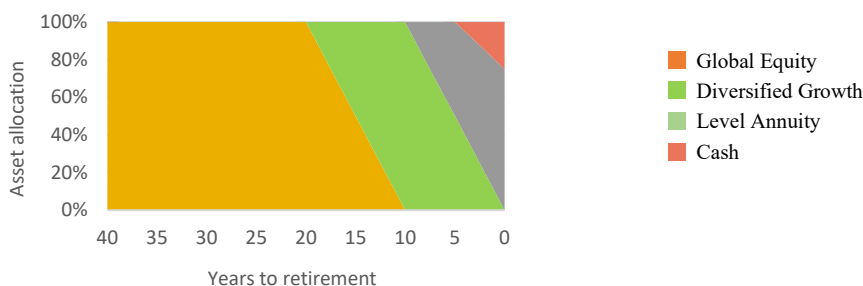
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The self-select fund range was reviewed in March 2022 and subsequently in October 2022 and the DC Committee concluded the current range is broadly appropriate and meets the objectives set out in the SIP. This conclusion was reached having regard to the fund choices exercised by members (only around 4% of members selected alternatives to the default), whether the current underlying funds are best in class, how other schemes incorporate ESG factors into their investment strategy and how suitable are the underlying fund benchmarks.

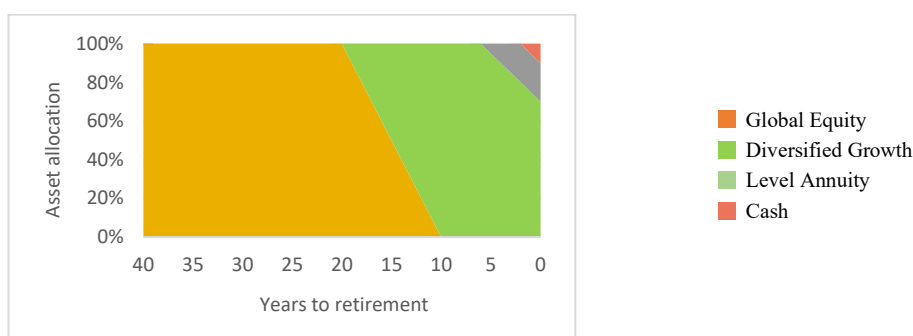
Alternative lifestyle strategies

Other final stage lifestyle strategies have also been made available for members who may wish to target an annuity purchase or an ongoing investment drawdown. These were also established in February 2016 and are constructed as follows:

Target annuity purchase



Target Drawdown



The alternative lifestyles were reviewed in March 2022 and the DC Committee concluded the current number of lifestyles is appropriate and meets the objectives set out in the SIP. This conclusion was reached having regard to the fact that only a small number of members select these alternatives and based on the typical number of lifestyles available from other large DC schemes (80% of trust-based schemes offer 2-3 lifestyles. Source: WTW FTSE350 DC Survey 2020).

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2.3 Investment performance monitoring

Performance of all funds is monitored on a quarterly basis with reports presented and discussed at each quarterly DC Committee meeting. A more detailed assessment of performance is undertaken as part of the annual review – as presented during the March 2023 DC Committee meeting.

Performance is measured against the relevant benchmarks set out in Section 4.3.2 of the SIP. As the majority of funds are passive, their benchmarks are the relevant indices for the asset classes/geographical areas represented. For active funds, the benchmarks have been agreed after receiving advice from the Trustee's professional advisers. The appropriateness of these benchmarks is considered annually as part of the annual investment review.

During the Scheme year, the majority of funds performed in line with their benchmarks. The DC Committee accepts that there may be deviations from benchmarks from time to time and, provided these are over short periods of time, will not normally take any action. Sustained or longer-term under-performance would be subject to further investigation.

2.4 ESG considerations

During the 2019/20 Scheme year, the SIP was updated to take account of new requirements coming in to force from 1 October 2019 – particularly around Environmental, Social and Governance ('ESG') factors and sustainability. Post year-end, the Trustee reviewed the SIP to reflect the Trustee's stewardship priorities.

Considering that the DC Section of the Plan is delivered via a bundled platform, and the investment funds are predominantly passively managed, the Trustee takes a pragmatic approach to ESG considerations. This is reflected in the SIP.

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the underlying investment managers. The Trustee recognises that long-term sustainability issues, including climate change, may have a material impact on investment risk and outcomes. At the present time the strategy is to invest predominantly in the passive funds listed above which do not explicitly take account of social, environmental and governance considerations in the selection, retention and realization of investments. However, the Trustee does review the strategy on an ongoing basis and will reflect these factors in any subsequent changes to the strategy or to underlying investment managers.

During the Scheme year, the DC Committee undertook the following ESG monitoring activities:

- Sustainable investment reports for two of the investment managers (BlackRock and LGIM) were provided as part of the triennial investment review (presented at the March 2022 DC Committee meeting).
- The Trustee's professional advisers concluded that BlackRock and LGIM merited a 'strong' rating in relation to their integration of ESG risks within their passive equity funds.
- Additional information was sought (and received) from Aviva Investors in relation to their own approach to ESG which is available via this link <https://www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents/> – although, to date, no independent assessment of their ESG 'performance' has been undertaken.
- No work has been undertaken, thus far in relation to the other investment manager (HSBC).

The Trustee continues to develop its approach to ESG monitoring but is in the process of assessing, managing

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and reporting ESG-related climate risks in line with the TCFD recommendations.

2.5 Voting policy and behaviour

During the 2019/20 Scheme year, the SIP was updated to take account of new requirements coming in to force from 1 October 2019 in relation to the Trustees' policies on voting rights and engagement.

The Trustee continues to consider carefully how it can ensure its views and priorities are reflected in how votes are cast in respect of the investments held within the Scheme.

As all investments are held within pooled funds, which are made available via a bundled platform with Aviva, the key area of activity during the Scheme year was to consider how to monitor (and measure) the investment managers' (Aviva, BlackRock, HSBC, LGIM, Pictet and Impax) performance in relation to voting policy and stewardship.

The DC Committee undertook the following activities during the Scheme year:

- It was noted that all four managers have statements describing how they comply with the UK Stewardship Code.
- An assessment of BlackRock's and LGIM's **voting policy** and **corporate engagement** is provided as part of the annual investment review and the triennial investment review (presented at the March 2022 DC Committee meeting).
- The Trustee's professional advisers concluded that LGIM merited a strong rating in relation to its **voting policy** and a neutral rating in relation to its **corporate engagement** with companies with whom it holds investments.
- The Trustee's professional advisers concluded that BlackRock merited a neutral rating for **corporate engagement** and in relation to its **voting policy**. The reasons for the neutral rating were due to regional variations in voting practice and limited transparency around some of their voting activities.
- Information was received from Aviva Investors in relation to their voting policy and corporate engagement, with further information being available via this link <https://www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents/> To date, no independent assessment of their voting policy and corporate engagement activities has been undertaken.
- Limited activity has been undertaken in relation to HSBC, but their stewardship report is available via this link <https://www.global.assetmanagement.hsbc.com/about-us/responsible-investing>

Details of the investment managers engagement activity, voting policies and significant votes cast are appended to this Statement. Due to the nature of the pooled funds being utilised by the Trustee, the determination as to what constitutes a 'significant vote' lies solely with the managers and is described in Appendix A.

2.6 Additional Voluntary Contributions ("AVCs")

The Trustee takes a proportionate approach in the application of the SIP policies to the AVCs.

Assets in respect of members' AVCs are invested utilising the same fund options available to DC Section members. These AVC funds benefit from the same oversight and governance as the main DC Section.

In addition, the Scheme retains a small AVC policy with Utmost Life & Pensions for four members who are over age 75 (the Trustee is in the process of tracing these members to arrange settlement of their AVC funds so that this Utmost AVC policy can be closed).

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Section 3 - DB Section

3.1 Investment Objectives

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

The primary objectives of the DB Section included in the SIP are:

- To ensure that the Scheme's benefit obligations can be met.
- That, overall, there is a high level of security of benefits.

In addition, the Trustee recognises that a "least risk" approach to investment strategy would substantially increase the cost of the Scheme (possibly to unacceptable levels). The Trustee has thus decided to pursue a strategy which takes on some investment risk in a controlled fashion and which is consistent with the Trustee's assessment of the financial strength of the Sponsoring Company. This leads to two further specific objectives:

- To aim for a long term return which, if achieved, should improve and then maintain the Scheme's funding level.
- To adopt a strategy which aims to limit the level of investment risk, and the resulting funding level, deficit and contribution volatilities, to an acceptable level.

During the period the Trustee is satisfied that the objectives have been met

3.2. Assessment of how the policies in the SIP have been followed for the Scheme year

The information provided in the following section highlights the work undertaken by the Trustee during the Scheme year and sets out how this work followed the Trustee's policies in the SIP.

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

3.2.1 Asset Allocation

The assets of the Scheme were broadly invested as follows:

Asset Class	Asset Allocation	
	Start of Year (%)	End of Year (%)
Global Equity	5.1	5.7
Total Multi-Strategy	0.0	0.0
Total Multi-Asset Credit	5.0	6.7
Global High Yield	1.3	-
Property	1.9	2.9
Total Low Risk and Income and Matching Portfolios	86.7	84.7
Total	100.0	100.0

Source Investment Managers and Mercer. Figures subject to rounding. Figures exclude cash balances held in Northern Trust cash custody account and Trustee Bank Account balance.

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Policy	How the policy has been met over the Scheme year
<p data-bbox="236 927 252 949">1</p> <p data-bbox="325 837 584 985">Kind of investments to be held and the balance between different kinds of investments</p> <p data-bbox="325 1016 560 1048">(Section 3.3 of SIP)</p>	<p data-bbox="663 495 1458 674">The Trustee continued to review its investment strategy throughout the Scheme year. After taking professional advice, changes made to the Scheme’s investments during the period are outlined below. Some of these changes were made to raise cash to support the Scheme’s Liability Driven Investment (“LDI”) portfolio during the gilt market crisis in Q3/Q4 2022:</p> <ul data-bbox="663 707 1417 1305" style="list-style-type: none"> • Partial redemption from Insight Liquid ABS • Partial redemption from LGIM Buy and Maintain Credit • Terminating the Wellington High Yield Debt Fund • Terminating the Janus Henderson Buy and Maintain Credit Fund • Terminating the Insight synthetic minimum volatility equity mandate • Investing in the Insight synthetic low carbon equity mandate • Terminating the M&G Alpha Opportunities Fund • Topping up the Insight LDI mandate • Reducing the allocation to M&G Secured Finance <p data-bbox="663 1339 1442 1397">Post year-end, the Trustee is reviewing the DB Section’s strategic asset allocation and will update the SIP subsequently.</p>
<p data-bbox="236 1742 252 1765">2</p> <p data-bbox="325 1666 584 1787">Risks, including the ways in which risks are to be measured and managed</p> <p data-bbox="325 1818 560 1850">(Section 3.1 of SIP)</p>	<p data-bbox="663 1464 1449 1585">As part of its regular quarterly investment performance monitoring, the Trustee monitored changes in the Scheme’s exposure to various risks, including active management and manager-related risks.</p> <p data-bbox="663 1621 1458 1832">The Trustee manages interest rate and inflation risk by investing in LDI assets. The Trustee keeps collateral risk under review as part of quarterly monitoring. In response to heightened collateral risk arising from significant increases in gilt yields, the Trustee liquidated assets to manage the risk of collateral being depleted. The Trustee also temporarily reduced the liability hedge between 13 October 2022 and 13 December 2022 to reduce collateral risk.</p> <p data-bbox="663 1868 1401 1957">The Trustee has also considered liquidity risk following the gilt market crisis, and is monitoring the liquidity of the Scheme’s investments on a quarterly basis.</p> <p data-bbox="663 1993 1433 2051">As part of the implementation of the strategy changes mentioned above, the Trustee considered the impact on risk.</p>

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<p>3</p> <p>Expected return on investments</p> <p>(Sections 3.3. and 3.4 of SIP)</p>	<p>The Trustee reviewed the expected return on investments in connection with the changes in the investment strategy that occurred during the Scheme year, and to allow for changes in market conditions.</p> <p>As part of the quarterly investment performance reports, the Trustee monitored actual performance for each investment manager, relative to their respective benchmarks, and monitored managers' ability to meet their return targets via Mercer's manager ratings. There were some changes to the investment manager ratings over the Scheme year. These have been considered by the Trustee.</p> <p>The Trustee also reviewed the return on the "growth", "low risk and income", "matching" and total portfolios relative to the relevant strategic targets on a quarterly basis.</p>

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3.2.2 Investment Mandates

	Policy	How the policy has been met over the Scheme year
4	<p>Securing compliance with the legal requirements about choosing investments</p> <p>(Section 1 of SIP)</p>	<p>The Scheme's investment adviser provided updates on Scheme performance and, where required, appropriateness of the funds used, as well as advice on asset allocation and investment risks, during the Trustee and Investment Committee ("IC") meetings and via the quarterly investment reports.</p> <p>Most notably, the Trustee received advice in relation to the aforementioned changes to the investment arrangements that occurred over the Scheme year.</p>
5	<p>Realisation of investments</p> <p>(Section 7 of SIP)</p>	<p>The Trustee made disinvestments where required during the year to meet cashflow requirements, in line with the agreed cashflow policy.</p>
6	<p>Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments</p> <p>(Sections 3.1 and 8 of SIP)</p>	<p>The investment performance reports were reviewed by the Trustee on a quarterly basis, which include Mercer's investment and ESG research ratings for each fund. The Trustee (via the IC) liaised with the investment managers, as part of the regular manager monitoring. The Trustee continues to closely monitor ratings and any significant developments for the managers.</p> <p>The Trustee also agreed an ESG policy during the year, which is communicated to the investment managers, and when a manager presents to the IC, they are asked to confirm how they comply with the ESG policy.</p> <p>The Trustee also receives details of any relevant voting and engagement activity from the Scheme's investment managers on an annual basis.</p> <p>Member views are not taken into account in the selection, retention and realisation of investments.</p>

3.2.3 Monitoring the Investment Managers

	Policy	How the policy has been met over the Scheme year
7	<p>Incentivising investment managers to align their investment strategies and decisions with the Trustee's policies</p> <p>(Section 9 of SIP)</p>	<p>The Trustee used the information set out in the quarterly investment reports, including manager performance and Mercer's investment ratings, to review their manager appointments over the Scheme year. The Trustee (via the IC) also met with investment managers (Oak Hill, CQS, LGIM and Insight) over the Scheme year to receive updates on the portfolio management team and to review the characteristics of the funds relative to the Scheme's objectives.</p>

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		Over the year, the Trustee terminated the appointments of Wellington, Janus Henderson, M&G (Alpha Opportunities mandate) and Insight (synthetic minimum volatility equity mandate) as referred to in Section 1 of this table.
8	<p>How the arrangement incentivises the investment manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term</p> <p>(Section 9 of SIP)</p>	<p>The Trustee assessed each manager's performance over the long term (3 years, or since inception if longer) during the year. Longer term performance has been given more focus than short term performance in line with the Trustee's policy.</p> <p>Over the year, the Trustee also monitored how each investment manager chooses assets for investment and embeds ESG and climate change considerations into their investment process via changes in the investment and ESG ratings assigned by Mercer and through meetings with managers.</p> <p>The Trustee has also received and considered key voting and engagement information from the managers, which is summarised in the Voting section that follows.</p> <p>The Trustee remains satisfied that managers are choosing investments based on their medium to long-term financial and non-financial performance and are increasingly engaging with issuers of debt and / or equity on factors that will affect the issuer's long-term performance, such as ESG considerations.</p>
9	<p>Evaluation of the investment manager's performance and the remuneration for asset management services</p> <p>(Section 9 of SIP)</p>	<p>The Trustee received, and considered, performance reports produced on a quarterly basis, which presented performance information and commented on the funds they invest in over various time periods. The Trustee reviewed absolute performance and relative performance against a suitable index used as a benchmark and / or against the managers' stated target performance on a net of fees basis.</p>
10	<p>Monitoring portfolio turnover costs</p> <p>(Section 9 of SIP)</p>	<p>The Trustee received, where applicable, MiFID II reporting from the investment managers. The Trustee assessed investment performance net of the impact of costs and fees.</p> <p>The Trustee continues to monitor industry improvements concerning the reporting of portfolio turnover costs.</p>
11	<p>The duration of the arrangement with the investment manager</p> <p>(Section 9 of SIP)</p>	<p>Over the Scheme year, the Trustee terminated the appointments of Wellington, Janus Henderson, M&G (Alpha Opportunities mandate) and Insight (synthetic minimum volatility equity mandate).</p>

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Policy	How the policy has been met over the Scheme year
<p>Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters)</p> <p>(Section 8 of SIP)</p>	<p>Details of the Scheme's investment managers' status regarding the UK Stewardship Codes are provided in the appendix to this statement.</p> <p>As outlined above, the Trustee monitored the investment and ESG ratings assigned to each manager by Mercer, and communicated its ESG policy to those managers presenting to the IC.</p>

3.2.4 Voting Disclosure

Policy	How the policy has been met over the Scheme year
<p>The exercise of the rights (including voting rights) attaching to the investments</p> <p>(Section 8 of SIP)</p>	<p>The Trustee has requested key voting activities from the managers over the Scheme year. The information received is summarised in the appendix to this statement.</p>

3.3 Engagement Activity

3.3.1 Stewardship

The Trustee has given its investment managers full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to the Scheme's investments in accordance with their own corporate governance policies, and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

Insight, LGIM, M&G, CQS, ICG-Longbow, Cambridge Associates and Aviva are signatories of the current UK Stewardship Code 2020 (the "Code"). CBRE have submitted their application to become signatories, but they are currently not signatories of the Code. Oak Hill is included in the T. Rowe Price Group's UK Stewardship Code report for 2022 following the acquisition of Oak Hill.

H2O does not consider the Code to be relevant to the assets and asset classes they manage and therefore are not signatories of the Code.

3.3.2 Voting Activity

The Trustee has delegated its voting rights to the investment managers, principally through being invested in pooled funds (noting that in this case votes are cast on behalf of the pooled fund not the Trustee, which does not own underlying assets directly). As a result, the Trustee does not use the direct services of a proxy voter,

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although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the Trustee.

Investment managers are expected to provide voting summary reporting on a regular basis, at least annually, and details of the voting activity of relevant managers, including significant votes, for the DB section are set out in Appendix D.

Over the period of this report, Insight managed the Scheme's dedicated equity market exposure. For reasons of efficiency and cost effectiveness this was achieved via the use of commercial investment contracts as opposed to actually investing and holding shares. As a result of this, the Scheme achieved exposure to capital gains and dividends but was not entitled to vote on management resolutions.

3.3.3 Significant Votes

The DWP released a set of Implementation Statement requirements 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" to be adopted in all Implementation Statements for schemes with years ending on or after 1 October 2022. The most material change is that the Statutory Guidance provides an update on what constitutes a "significant vote".

The Trustee defines a significant vote as one that is linked to the Scheme's stewardship priorities/themes. The Trustee has decided to report on votes related to material holdings (more than c.5% of the relevant fund's holdings) in the following stewardship areas, with regards to the DB Section of the Scheme:

- **Environmental (E) – Climate change**
- **Social (S) - Human rights** (including modern slavery)
- **Governance (G) – Executive remuneration** (any vote against a remuneration report where executives are awarded bonuses despite missing targets)
- **Governance (G) – Diversity** (any vote against chair when the board is not sufficiently diverse)
- **Governance (G) – Financial outcomes** (any vote which has the potential to substantially impact financial or stewardship outcomes (e.g. through over-leveraging the business or through implementing proposals that would weaken the corporate governance))

As part of this monitoring, the Trustees will engage with the Scheme's investment managers where appropriate to understand the activity undertaken in relation to these topics.

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Appendix A – DC section – Managers' Voting policies

Aviva Investors

Policy on consulting clients before voting:

'Whilst we do not consult clients ahead of each vote (given the significant practical challenges this will create), we are always keen to understand client views on particular issues / companies and are happy to provide details of how we voted after the event. We have also been involved in a pilot enabling end investors to have a voice and be empowered to be part of the voting process. More broadly, we have been working with our client experience project team and we are going to institutionalize a standard question asking clients about their stewardship preferences and priorities. This will be invaluable in shaping our voting policy and engagement plans to continue to meet client aims and expectations'.

'There may also be occasions where voting exceptions have been specifically agreed with our clients in segregated funds, but generally we retain responsibility for ensuring voting is carried out in a manner consistent with their own approach to stewardship. If a pooled fund investor asked us to vote a certain way, we would not be able to do this unless it was consistent with our view / the vote direction was in the best interests of all investors in that fund'.

'We may also contact clients if there is a conflict of interest situation - for example, in relation to the exercise of voting rights for shares in our parent company Aviva plc (our default position is not to vote these holdings as Aviva Investors will exercise no discretion)'.

Process followed for determining the 'most significant' votes

'We looked at a number of criteria for the list of votes undertaken for the fund including: the impact on the company (both short and long term) if the resolution was or wasn't approved; the materiality of the shareholder resolutions; the level of public and / or media interest in certain companies and resolutions; and how significant the holdings are in relation to the fund and to Aviva Investors (acknowledging that the larger the aggregate / percentage holding, the more ability we have in affecting change). It is evident in some of the votes that these reflected multiple criteria explained above, but it is important to note that this the selection process was quite subjective'.

Confirmation of use made of proxy voting services

'We subscribe to ISS research and receive both their benchmark reports (which we use for data analysis) only and do not automatically follow their voting recommendations) and custom research based on our own policy, which we can override in consideration of other factors, including internal views, additional context provided in external research, and company explanations. This we feel is the most efficient approach to voting at thousands of meetings a year.

Conflicts Management

'Any conflicts identified 'are managed appropriately and subject to regular review' and 'our voting considerations should always be based on the best interests of the funds/clients holding shares in the company for which the vote is applicable to'.

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BlackRock

Policy on consulting clients before voting:

BlackRock believes that companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. We believe that there are certain fundamental rights attached to shareholding. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders' best interests to create sustainable value. Shareholders should have the right to vote to elect, remove, and nominate directors, approve the appointment of the auditor, and amend the corporate charter or by-laws.

Consistent with these shareholder rights, we believe BlackRock has a responsibility to monitor and provide feedback to companies, in our role as stewards of our clients' investments. BlackRock Investment Stewardship ("BIS") does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance ("ESG") matters and, for those clients who have given us authority, through voting proxies in the best long-term economic interests of our clients. We also participate in the public debate to shape global norms and industry standards with the goal of a policy framework consistent with our clients' interests as long-term shareholders.

BlackRock looks to companies to provide timely, accurate, and comprehensive reporting on all material governance and business matters, including ESG issues. This allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or the approach taken is inconsistent with our view of what supports sustainable long-term value creation, we will engage with a company and/or use our vote to encourage a change in practice.

BlackRock views engagement as an important activity; engagement provides us with the opportunity to improve our understanding of the business and ESG risks and opportunities that are material to the companies in which our clients invest. As long-term investors on behalf of clients, we seek to have regular and continuing dialogue with executives and board directors to advance sound governance and sustainable business practices, as well as to understand the effectiveness of the company's management and oversight of material issues. Engagement is an important mechanism for providing feedback on company practices and disclosures, particularly where we believe they could be enhanced. We primarily engage through direct dialogue but may use other tools such as written correspondence to share our perspectives. Engagement also informs our voting decisions.

BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. These high-level Principles are the framework for our more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe our philosophy on stewardship (including how we monitor and engage with companies), our policy on voting, our integrated approach to stewardship matters and how we deal with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews our Global Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock's Global Principles are available on their website at

<https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>

Process followed for determining the 'most significant' votes

BlackRock Investment Stewardship prioritizes its work around themes that we believe will encourage sound governance practices and deliver sustainable long-term financial performance. Our year-round engagement with clients to understand their priorities and expectations, as well as our active participation in market-wide policy debates, help inform these themes. The themes we have identified in turn shape our Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which we look at the sustainable long-term financial performance of investee companies.

BlackRock periodically publish "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that we consider, based on our Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance. These bulletins are intended to explain our vote decision, including the analysis underpinning it and relevant engagement history

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when applicable, where the issues involved are likely to be high-profile and therefore of interest to our clients and other stakeholders, and potentially represent a material risk to the investment we undertake on behalf of clients. We make this information public shortly after the shareholder meeting, so clients and others can be aware of our vote determination when it is most relevant to them. We consider these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements.

Confirmation of use made of proxy voting services

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

In summary, proxy research firms help us deploy our resources to greatest effect in meeting client expectations

- BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed
- We use proxy research firms in our voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial
- We do not follow any single proxy research firm's voting recommendations and in most markets, we subscribe to two research providers and use several other inputs, including a company's own disclosures, in our voting and engagement analysis
- We also work with proxy research firms, which apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision
- The proxy voting operating environment is complex and we work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting.

Conflicts Management

'As an investment manager, BlackRock has a duty of care to its clients. BlackRock's duty extends to all of its employees and is critical to our reputation and business relationships, and to meeting the requirements of our various regulators worldwide. Employees are held responsible by BlackRock to seek to avoid any activity that might create potential or actual conflicts with the interests of clients.

BlackRock maintains a compliance program for identifying, escalating, avoiding and/or managing potential or actual conflicts of interest. The program is carried out through our employees' adherence to relevant policies and procedures, a governance and oversight structure and employee training.

Among the various policies and procedures that address conflicts of interest is BlackRock's Global Conflicts of Interest Policy. This policy governs the responsibility of BlackRock and its employees to place our clients'

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interests first and to identify and manage any conflicts of interest that may arise in the course of our business. In order to mitigate potential and actual conflicts of interest, each BlackRock employee must, among other things:

- Identify potential or actual conflicts of interest both in relation to existing arrangements and when considering changes to, or making new, business arrangements;
- Report any conflicts of interest promptly to his/her supervisor and Legal & Compliance;
- Avoid (where possible) or otherwise take appropriate steps to mitigate a conflict to protect our clients' interests; and
- Where appropriate, disclose conflicts of interest to clients prior to proceeding with a proposed arrangement'.

'BlackRock Legal & Compliance conducts mandatory annual compliance training, which includes a discussion of the Global Conflicts of Interest Policy. Read more about how we manage conflicts of interest in our Global Corporate Governance and Engagement Principles found here <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>, and in our stand alone statement found here <https://www.blackrock.com/corporate/literature/publication/blk-statement-conflicts-of-interest.pdf>. For more information about securities lending, please see our commentary, Securities Lending Viewed through the Sustainability Lens here: <https://www.blackrock.com/corporate/literature/publication/securities-lending-viewed-through-the-sustainability-lens.pdf>

LGIM

Policy on consulting clients before voting:

'LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries'.

Process for deciding how to vote

'All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies'.

Process followed for determining the 'most significant' votes

'As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

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- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications. The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

Confirmation of use made of proxy voting services

'LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions.

Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions'.

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

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

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Conflicts Management

Our conflict of interest document can be found at:

<https://www.lgim.com/api/epi/documentlibrary/view?id=1116980ea5bf43fa9801c212be73f487&old=literature.html?cid=>

HSBC

Policy on consulting clients before voting:

The legal right to the underlying votes lies with the Directors of the HSBC CCF Islamic Global Equity Fund. They have delegated this execution of this voting to HSBC Global Asset Management (UK) Limited.

Process followed for determining the 'most significant' votes

We regard the votes against management recommendation as the most significant. With regards to climate, in our engagement we encourage companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, we will generally vote against the re-election of the Chairman. We also generally support shareholder resolutions calling for increased disclosure on climate-related issues.

Confirmation of use made of proxy voting services

We use the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene our guidelines. We review voting policy recommendations according to the scale of our overall holdings. The bulk of holdings are voted in line with the recommendation based on our guidelines.

Conflicts Management

HSBC Funds and client mandates may hold shares in our parent HSBC Holdings PLC. We have a special procedure for voting these shares to manage this conflict. We also have procedures for managing other conflicts that may arise.

Pictet

Policy on consulting clients before voting:

As per Pictet Asset Management's proxy voting guidelines listed in the Active Ownership Policy, where voting rights are delegated to us we would not consult with clients before voting. However, for segregated accounts, including mandates and third-party (i.e. sub-advisory) mutual funds managed by Pictet Asset Management, clients who delegate the exercise of voting rights to us have the choice between Pictet Asset Management's voting guidelines or their own voting guidelines.

Process followed for determining the 'most significant' votes

We consider a vote to be significant due to the subject matter of the vote, for example a vote against management, where we vote out of line with our standard voting policy; important shareholder resolutions; if the company is one of the largest holdings in the portfolio, and/or we hold an important stake in the company. Not every vote against management would be included in the above list.

Confirmation of use made of proxy voting services

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'To assist us in performing our proxy voting responsibilities, Pictet Asset Management uses the services of third-party specialists (ISS) to provide research and to facilitate the execution of voting decisions at all relevant company meetings worldwide.

ISS are tasked with collecting meeting notices for all holdings and researching the implications of every resolution according to voting guidelines as defined by Pictet Asset Management'.

Our proxy voting policy is based on generally accepted standards of best practice in corporate governance including board compensation, executive remuneration, risk management, shareholder rights. Because the long-term interests of shareholders are the paramount objective, we do not always support the management of companies and may vote against management from time to time.

ISS are used on a continuous basis and all recommendations are communicated to relevant Investment teams and Pictet's in-house ESG team. Therefore, ISS recommendations have been followed with minor exceptions on direct holdings within the Investment trust space'.

Conflicts Management

Pictet confirmed they are not impacted by any of the conflicts set out in the PLSA template but did not provide any further details.

Impax

Policy on consulting clients before voting:

'Impax's voting policies and approach are typically extensively discussed at the due diligence phase with new clients, as well as during regular management updates and reviews. Where voting rights have been granted to Impax, Impax votes in-line with those policies and consulting is not usually taking place at that stage'.

Process followed for determining the 'most significant' votes

'For Impax's reporting across all strategies on proxy voting, (for example on our website) we would define "significant votes" as all votes that are not just procedural items. However for reporting to clients we focus on the most significant resolutions in terms of decisions, focus or potential weakness in the investee companies, i.e. where we have voted either abstain, against or withhold.

Confirmation of use made of proxy voting services

'Proxy advisers provide a platform for voting and simple and clear voting research, which is easier to use than companies' proxy statements. We value the views and research recommendations of proxy advisers, but at the end of the day, we determine our votes based on our own voting guidelines and research.

Impax reviews the vote recommendations provided by Glass Lewis & Co. but assesses every meeting and resolution individually, based on Impax's own proprietary ESG analysis of the companies. Ultimately Impax makes its own voting decisions, based on our ESG and voting policies'.

Conflicts Management

Impax confirmed they are not impacted by any of the conflicts set out in the PLSA template but did not provide any further details.

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Appendix B – DC section - Summary of voting over the year to 31 March 2023

A summary of the votes made on behalf of the Trustee over the year to 31 March 2023 is provided in the table below:

Manager and fund	Voting Rights	Voting activity
Aviva Global Equity Underlying Fund 1 - BlackRock World (ex UK) Equity Index (under	Aviva	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 2,102 • Number of resolutions on which manager was eligible to vote: 26,553 • Percentage of eligible votes cast: 94.45% • Percentage of votes with management: 67.6% • Percentage of votes against management: 30.3% • Percentage of votes abstained from: 2.1% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 85.73% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 25.0%
Aviva Global Equity Underlying Fund 2 BlackRock UK Equity Index Tracker	Aviva	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 711 • Number of resolutions on which manager was eligible to vote: 10,480 • Percentage of eligible votes cast: 99.76% • Percentage of votes with management: 93.0% • Percentage of votes against management: 6.0% • Percentage of votes abstained from: 1.0% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 50.21% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 6.0%

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Manager and fund	Voting Rights	Voting activity
Aviva Global Equity – Underlying Fund 3 BlackRock Emerging Markets Equity Tracker	BlackRock	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 2,782 • Number of resolutions on which manager was eligible to vote: 25,350 • Percentage of eligible votes cast: 98% • Percentage of votes with management: 88.0% • Percentage of votes against management: 11.0% • Percentage of votes abstained from: 3.0% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 42.0% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 0.0%
Aviva Diversified Growth Underlying Fund – LGIM Diversified	LGIM	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 9,541 • Number of resolutions on which manager was eligible to vote: 99,252 • Percentage of eligible votes cast: 99.82% • Percentage of votes with management: 77.36% • Percentage of votes against management: 21.94% • Percentage of votes abstained from: 0.70% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 72.78% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 12.51%

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Manager and fund	Voting Rights	Voting activity
Aviva Stewardship – Underlying Fund Aviva Stewardship	Aviva	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 51 • Number of resolutions on which manager was eligible to vote: 841 • Percentage of eligible votes cast: 99.52% • Percentage of votes with management: 96.2% • Percentage of votes against management: 2.9% • Percentage of votes abstained from: 1.0% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 39.22% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 4.0%
Aviva HSBC Islamic Global Equity – Underlying Fund Aviva HSBC Islamic Global Equity	HSBC	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 95 • Number of resolutions on which manager was eligible to vote: 1,423 • Percentage of eligible votes cast: 97.0% • Percentage of votes with management: 80.5% • Percentage of votes against management: 19.8% • Percentage of votes abstained from: 0.0% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 78.9% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 12.1%
Aviva Pension Climate Focused (BIGPS) - Underlying Fund Environmental Leaders	Impax	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 52 • Number of resolutions on which manager was eligible to vote: 757 • Percentage of eligible votes cast: 100% • Percentage of votes with management: 92.60% • Percentage of votes against management: 5.81% • Percentage of votes abstained from: 0.92%

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		<ul style="list-style-type: none"> • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 53.85% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 6.21%
<p>Aviva Pension Climate Focused (BIGPS) Underlying Fund - Global Environmental Opportunities</p>	Pictet	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 48 • Number of resolutions on which manager was eligible to vote: 736 • Percentage of eligible votes cast: 100% • Percentage of votes with management: 95.38% • Percentage of votes against management: 4.62% • Percentage of votes abstained from: 0.0% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 29.0% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 0.54%

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Appendix C - Significant votes

The DWP released a set of Implementation Statement requirements 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” to be adopted in all Implementation Statements for schemes with years ending on or after 1 October 2022. The most material change is that the Statutory Guidance provides an update on what constitutes a “significant vote”.

The Trustee defines a significant vote as one that is linked to the Scheme’s stewardship priorities/themes. The Trustee has decided to report on votes related to material holdings (more than c.5% of the relevant fund’s holdings) in the following stewardship areas, with regards to the DC Section of the Scheme:

- **Environmental (E) – Climate change.**
- **Social (S) - Human rights** (including modern slavery).
- **Governance (G) – Executive remuneration** (any vote against a remuneration report where executives are awarded bonuses despite missing targets).
- **Governance (G) – Diversity** (any vote against chair when the board is not sufficiently diverse).
- **Governance (G) – Financial outcomes** (any vote which has the potential to substantially impact financial or stewardship outcomes (e.g. through over-leveraging the business or through implementing proposals that would weaken the corporate governance)).

As part of this monitoring, the Trustee will engage with the Scheme’s investment managers where appropriate to understand the activity undertaken in relation to these topics.

The significant votes as determined by the Trustee for the year to 31 March 2023 are as follows:

Fund	Most significant votes cast
Aviva Stewardship – Underlying Fund Aviva Stewardship	<p>Company: GlaxoSmithKline plc</p> <p>Date of Vote: 4 April 2022</p> <p>Trustee Criteria on which vote assessed to be significant – Over 5% of fund’s holding and in relation to executive remuneration.</p> <p>Approximate Size of fund’s /mandate’s holding as the date of the vote (as % of portfolio) – 7.33%</p> <p>Shareholder resolution summary: Item 3. Approve Remuneration Policy</p> <p>How the manager voted: Against</p> <p>Rationale: The company was seeking approval to increase the bonus opportunity from 2x to 3x salary. The additional quantum would materialise on outperformance of the Company’s new strategic targets. However, this did not offset concerns on excessive quantum, or the increased emphasis on short - term performance. Further, the demerger of GSK and Haleon will decrease the Company’s individual size and scope, which does not rationalise increase variable pay quantum going forward.</p> <p>Outcome of the vote: The resolution was approved (38.23% of the votes cast were against the resolution).</p> <p>Implications: The high dissent on the pay report will hopefully lead the company to reconsider how it will implement the new policy going forward, when</p>

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	<p>maximum award sizes can potentially be set at a lower level than policy maximum. It is also not expected that further increases to variable pay will be sought approval for. We will be engaging with the company further on the issues of concern.</p>
<p>Aviva HSBC Islamic Global Equity – Underlying Fund Aviva HSBC Islamic Global Equity</p>	<p><u>Company:</u> Apple Inc</p> <p><u>Date of Vote:</u> 10 March 2023</p> <p><u>Trustee Criteria on which vote assessed to be significant</u> – Over 5% of fund’s holding and in relation to Diversity of the board.</p> <p><u>Approximate Size of fund’s /mandate’s holding as the date of the vote (as % of portfolio) – 7%</u></p> <p>Shareholder resolution summary: Elect Director Sue Wagner</p> <p>How the manager voted: Against</p> <p>Rationale: We have concerns about insufficient diversity of the board.</p> <p>Outcome of the vote: The resolution passed</p> <p>Implications: We will continue to engage on the issue along with other issues of concern, and will likely vote against a similar proposal should we see insufficient improvements.</p>

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Appendix D – DB section - Summary of voting over the year to 31 March 2023

Over the last 12 months, key voting activity on behalf of the Trustee was undertaken by Oak Hill and CQS. A summary of their activity is shown below.

Oak Hill – Diversified Credit Strategies Fund

Oak Hill does not utilise a proxy voting service. Given Oak Hill is a manager of below-investment grade credit, their investment activities are predominantly focused on credit and as a result, they typically do not deal with a large volume of proxy votes. Voting activity undertaken over the year to 31 March 2023 is summarised in the table below.

Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of resolutions in which the manager voted	% of votes with management / against management / abstained	% of votes contrary to the recommendation of the proxy adviser
10	60	100.0%	100.0% / 0.0% / 0.0%	n/a

Source: Oak Hill.

Oak Hill have confirmed that there were no significant votes relating to the DB Section's stewardship themes over the period.

CQS – Multi Asset Credit Fund

CQS utilises a proxy voting service. CQS adopts the view that individual Portfolio Managers and their teams are best placed to make stewardship decisions in relation to assets held by the funds, and determine where they believe it is significant. Voting activity undertaken over the year to 31 March 2023 is summarised in the table below.

Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of resolutions in which the manager voted	% of votes with management / against management / abstained	% of votes contrary to the recommendation of the proxy adviser
5	5	100.0%	80.0% / 20.0% / 0.0%	n/a

Source: CQS.

CQS have confirmed that there were no significant votes relating to the DB Section's stewardship themes over the period.

The nature of the other mandates means no relevant voting information has been provided, for example due to having no direct listed equity exposure or due to the credit nature of the holdings.

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Statement of Trustee's 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 Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

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

In discharging the above responsibilities, the Trustee is 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 Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

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

The Trustee is 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 Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Signed for and on behalf of the Trustee:

Trustee Director:

Secretary:

Date:

Babcock International Group Pension Scheme

Independent Auditor's report to the Trustee of the Babcock International Group Pension Scheme

Opinion

We have audited the financial statements of the Babcock International Group Pension Scheme for the year ended 31 March 2023 which comprise the Fund Account, the Statement of Net Assets (available for Benefits) 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 FRS 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 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than the 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 Scheme's Trustee's 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 Scheme's Trustee 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. The Scheme's Trustee is 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

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statements themselves. 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 the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 76, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines 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 Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory frameworks that the Scheme operates in and how the Scheme is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit

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procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://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 Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements 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 Trustee 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 and the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
West Midlands
B3 3AG

October 2023

Babcock International Group Pension Scheme

Summary of Contributions For the year ended 31 March 2023

Trustee's Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 March 2023

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee, Babcock Pension Trust Limited.

It sets out the employer and member contributions payable to the Scheme for the year ended 31 March 2023. The auditor to the Scheme reports on contributions payable under the Schedule certified by the actuary on 28 February 2020 in the Auditor's Statement about Contributions.

Contributions payable under the Schedule in respect of the Scheme year

	Defined Benefit section £'000	Defined Contribution section £'000
Employers Contributions		
Normal	5,718	91,283
Longevity swap	3,588	-
Deficit	13,659	-
Expenses	2,901	-
PPF levy	31	-
Life insurance	-	2,967
Employee Contributions		
Normal	71	836
	<u>25,968</u>	<u>95,086</u>

Reconciliation of contributions payable under the Schedule to contributions reported in the accounts in respect of the Scheme year:

Contributions payable under the Schedule (as above)	25,968	95,086
Contributions payable in addition to those due under the Schedule:		
Employee additional voluntary contributions	-	288
Contributions as reported in note 5	<u>25,968</u>	<u>95,374</u>

Signed on behalf of the Trustee:

Trustee Director:

Secretary:

Date:

Babcock International Group Pension Scheme

Independent Auditor's Statement about Contributions to the Trustee of the Babcock International Group Pension Scheme, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the Babcock International Group Pension Scheme

We have examined the summary of contributions to the Babcock International Group Pension Scheme for the Scheme year ended 31 March 2023 to which this statement is attached.

In our opinion contributions for the Scheme year ended 31 March 2023 as reported in the summary of contributions on page 80 and payable under the schedule of contributions have, in all material respects, been paid at least in accordance with the schedule of contributions certified by the Scheme actuary on 28 February 2020.

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 80 have in all material respects, been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustee and auditor

As explained more fully on page 76, in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

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

Use of our statement

This statement is made solely to the Scheme's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's statement 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 Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
103 Colmore Road
Birmingham
West Midlands
B3 3AG

October 2023

Babcock International Group Pension Scheme

Financial Statements for the year ended 31 March 2023

Fund Account

for the year ended 31 March 2023		Defined Benefit Section	Defined Contribution Section	Total	Total
	Note	2023 £'000	2023 £'000	2023 £'000	2022 £'000
Contributions and Benefits					
Contributions receivable	5				
Employer		25,897	94,250	120,147	142,440
Employee		71	1,124	1,195	1,050
Transfers in	6	-	2,541	2,541	4,730
Other income	7	463	4,397	4,860	4,168
		26,431	102,312	128,743	152,388
Benefits paid or payable	8	(53,670)	(14,721)	(68,391)	(69,676)
Payments to and on account of leavers	9	(11,209)	(83,626)	(94,835)	(63,302)
Administrative expenses	10	(2,693)	(224)	(2,917)	(2,493)
Other payments	11	(51)	(2,967)	(3,018)	(2,934)
		(67,623)	(101,538)	(169,161)	(138,405)
Net (withdrawals) / additions from dealings with members		(41,192)	774	(40,418)	13,983
Returns on investments					
Investment income	13	27,806	17	27,823	29,064
Change in market value of investments	21	(404,816)	(33,546)	(438,362)	89,560
Investment management expenses	14	(2,571)	(2,633)	(5,204)	(4,067)
Net returns on investments		(379,581)	(36,162)	(415,743)	114,557
Net increase in the fund during the year		(420,773)	(35,388)	(456,161)	128,540
Transfers between sections	12	(224)	224	-	-
Net assets of the Scheme at beginning of year		1,470,603	920,798	2,391,401	2,262,861
Net assets of the Scheme at end of year		1,049,606	885,634	1,935,240	2,391,401

The notes on pages 84 to 109 form part of these financial statements.

Babcock International Group Pension Scheme

Financial Statements for the year ended 31 March 2023

Statement of Net Assets (available for benefits)

as at 31 March 2023

	<i>Note</i>	2023	2022
		£'000	£'000
Defined Benefit section (DBS)			
Investment assets:	22		
Bonds		967,318	1,322,908
Pooled investment vehicles	16	482,177	689,606
Derivatives	18	181,644	222,743
AVC investments	20	34	33
Cash deposits		11,534	48,953
Other investment balances	21	14,898	27,708
		1,657,605	2,311,951
Investment liabilities:	22		
Derivatives	17	(258,507)	(298,612)
Longevity Swap	18	(51,000)	(58,918)
Other investment balances	20	(320,854)	(524,943)
Total investments		1,027,244	1,438,478
Current assets	22	25,752	34,585
Current liabilities	23	(3,390)	(2,460)
Total net assets of DBS		1,049,606	1,470,603
Defined Contribution section (DCS)			
Investment assets:	21		
Pooled investment vehicles	16	885,569	920,704
Current assets	22	1,402	1,384
Current liabilities	23	(1,337)	(1,290)
Total net assets of DCS		885,634	920,798
Total net assets of the Scheme		1,935,240	2,391,401

The notes on pages 84 to 109 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations for the Defined Benefit section, is dealt with in the Report on Actuarial Liabilities on page 111 of the annual report and these financial statements should be read in conjunction with it.

These financial statements were approved by the Trustee, Babcock Pension Trust Limited, and signed on its behalf by:

Trustee Director

Secretary

Date:

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

1. Basis of preparation

The Financial Statements have been prepared on the going concern basis and 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 issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised June 2018).

The Financial Statements have been prepared on the going concern basis as the Trustee has concluded that there is no expectation that wind up of the Scheme will begin within 12 months of the date of these Financial Statements being approved by the Trustee.

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 Trustee's Report.

3. Comparative disclosures for the fund account

Fund account

	Note	Year ending 31 March 2022		Total £'000
		Defined Benefit Section £'000	Defined Contribution Section £'000	
Contributions and Benefits				
Contributions receivable	5			
Employer		45,958	96,482	142,440
Employee		71	979	1,050
Transfers in	6	-	4,730	4,730
Other income	7	709	3,459	4,168
		46,738	105,650	152,388
Benefits paid or payable	8	(54,644)	(15,032)	(69,676)
Payments to and on account of leavers	9	(14,927)	(48,375)	(63,302)
Administrative expenses	10	(2,256)	(237)	(2,493)
Other payments	11	(53)	(2,881)	(2,934)
		(71,880)	(66,525)	(138,405)
Net (withdrawals) / additions from dealings with members		(25,142)	39,125	13,983
Returns on investments				
Investment income	13	29,064	-	29,064
Change in market value of investments		12,841	76,719	89,560
Investment management expenses	14	(1,597)	(2,470)	(4,067)
Net returns on investments		40,308	74,249	114,557
Net (decrease) / increase in the fund during the year		15,166	113,374	128,540
Transfers between sections	12	(237)	237	-
Net assets of the Scheme at beginning of year		1,455,674	807,187	2,262,861
Net assets of the Scheme at end of year		1,470,603	920,798	2,391,401

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

4. Accounting policies

(a) Investments

- i. Investments are included at fair value at the date of the Statement of Net Assets.
- ii. Quoted 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 Statement of Net Assets.
- iii. Bonds are stated at their clean prices. Accrued income is accounted for within investment income receivable. Bonds sold short are classified within investment liabilities at the year end at their clean prices, any related accrued income is classified as income payable within other investment balances.
- iv. Holdings in pooled investment vehicles which are not traded on active markets are stated at bid price for funds with bid / offer spreads, or single price values where there are no bid / offer spreads as advised by the investment manager at the year end date and accepted by the Trustee.

Shares in other pooled arrangements have been valued at the latest available net asset value ('NAV'), determined in accordance with fair value principles, provided by the pooled investment manager.

v. Derivatives:

- Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year end date.
- Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
- Forward foreign currency contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- Exchange traded derivatives are stated at market values determined using market quoted prices.
- All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.
- Receipts and payments, with the exception of income, arising from derivative instruments are reported as sale proceeds or purchase of investments. Income arising on derivatives is accounted for within investment income.

vi. Repurchase and reverse repurchase arrangements

Under repurchase (repo) arrangements, the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a liability.

Under reverse repurchase (reverse repo) arrangements, the Scheme does not recognise the collateral securities received as assets in its Financial Statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in the Financial Statements.

- vii. Longevity swaps - the Trustee has reviewed its methodology for valuation of the longevity swap and has now adopted an alternative approach from that previously applied, reflected in the value as at 31 March 2023. The alternative approach is to value a notional replacement swap, using assumptions underlying the Scheme's funding valuation, and applying an adjustment for a market-based fee. The Trustee considers this approach to represent a better estimate of fair value than the collateral basis, which was previously applied. As this change is simply a change of estimate, rather than a change of accounting policy, no restatement has been made in respect of prior years.
- viii. AVC funds are included at the market value advised by the fund managers at the year end.

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

4. Accounting Policies (continued)

- ix. Annuity contracts - pension benefits in respect of certain retired members are covered by insured annuity policies. The pension benefits are paid to the Scheme by the annuity providers and the Scheme pays the full pension benefits payable to the members. The annuity policies in force at the year end have been assessed as immaterial and have therefore not been valued as assets of the Scheme. Receipts from annuity providers are included within investment income in the Fund Account and payment to these members are included in pension payments.

(b) *Change in market value*

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.

(c) *Investment income*

- i. Distributions from pooled investment vehicles are accounted for in the period in which they fall due. Where investment income arising from the underlying investments is rolled up and reinvested within the pooled investment vehicle this is reflected in the unit price and reported within 'Change in Market Value'. Dividends from quoted securities are accounted for on the ex-dividend date.
- ii. Interest on bonds and on cash deposits is accounted for on an accruals basis.
- iii. Income receivable/payable on OTC derivatives is accounted for when received/paid and is disclosed on a net basis in the Fund Account.
- iv. Income receivable on annuity policies is accounted for on an accruals basis.

(d) *Foreign currencies*

The functional and presentational currency of the Scheme is Sterling. Balances denominated in foreign currencies are translated into Sterling at the rate ruling at the year end date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

(e) *Contributions*

- i. Employee contributions and employer normal contributions are accounted for in line with the pay period to which they relate with the exception of the first month's contribution for Defined Contribution members due under auto-enrolment in which case it is accounted for when received by the Scheme.
- ii. Deficit funding and other additional employer contributions, such as those required under the Long Term Funding Agreement are accounted for on or before the due dates on which they are payable in accordance with the Recovery Plan, Schedule of Contributions and Pension Funding Deed under which they are being paid.
- iii. Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

(f) *Benefits*

Benefits to members are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of his decision or, if there is no member choice, they are accounted for on the date of retirement or leaving. Pension benefits paid in respect of which annuity income is received are included within benefits paid or payable.

(g) *Transfer values*

- i. Individual transfer values to and from other pension schemes are accounted for when the liability is discharged, usually when they are paid or received.
- ii. Group transfers are accounted for in accordance with the terms of the transfer agreement.

(h) *Expenses*

Expenses are accounted for on an accruals basis.

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

5. Contributions receivable

	DBS £'000	2023 DCS £'000	Total £'000
Employers			
Normal	5,718	91,283	97,001
Additional (Longevity Swap)	3,588	-	3,588
Deficit Funding	13,659	-	13,659
Expenses	2,901	-	2,901
PPF levy contributions	31	-	31
Group life contributions	-	2,967	2,967
	25,897	94,250	120,147
Employee			
Normal	71	836	907
Additional voluntary contributions	-	288	288
	71	1,124	1,195
	25,968	95,374	121,342

	DBS £'000	2022 DCS £'000	Total £'000
Employers			
Normal	6,032	93,601	99,633
Additional (Longevity Swap)	3,588	-	3,588
Deficit Funding	13,261	-	13,261
Expenses	2,957	-	2,957
PPF levy contributions	120	-	120
Group life contributions	-	2,881	2,881
Other (see below)	20,000	-	20,000
	45,958	96,482	142,440
Employee			
Normal	71	865	936
Additional voluntary contributions	-	114	114
	71	979	1,050
	46,029	97,461	143,490

The employer contributions shown under 'other' in the prior year above are in respect of a trigger event defined under the Long Term Funding Agreement in place with the employer.

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

5. Contributions receivable (continued)

Salary sacrifice arrangements are in place for a number of members. Under such arrangements, employees sacrifice salary in exchange for their employer making contributions to the Scheme on their behalf. Such contributions are classified as employer contributions in the financial statements.

Deficit recovery contributions of £12.5m, increasing by 3% compound each year, are payable each 1 April from 2020 to 2023 in accordance with the Schedule of Contributions certified by the actuary on 28 February 2020 and taking effect on 1 April 2020 (unless the Statutory Funding Objective has been met and it is further agreed that a contribution can be delayed, reduced, or paid to an escrow account under the terms of the Long Term Funding Agreement, see below). A funding test as at 31 March 2023 confirmed that the final such contribution was payable to the Scheme and £13.659m was duly paid on 9 June 2023. This contribution has been treated as receivable as at 31 March 2023.

Additional contributions were payable for the year to 31 March 2023 (2022: £20m) under the Long Term Funding Agreement (LTFA) signed on 28 February 2020 but such additional amounts may become payable in future years. Under the LTFA there are covenant and funding trigger events that may give rise to an increase or decrease in contributions and require the Scheme Actuary to revise the Schedule of Contributions. There were no such events in the year to 31 March 2023.

Additional contributions are payable in respect of the funding gap arising from the longevity swap. Further, expenses for administering the Scheme are agreed annually between the Trustee and the Employer, and subsequently reimbursed by the Employer in line with the Schedule of Contributions. PPF levies paid by the Scheme are also reimbursed in line with the Schedule of Contributions.

Following the year end a revised Schedule of Contributions, reflecting the valuation as at 31 March 2022 was certified by the Actuary on 28 June 2023. Under the revised Schedule, which takes effect from 1 April 2023, no deficit recovery contributions are payable. Normal contributions, longevity swap contributions, expense contributions, and reimbursement of the PPF levy, continue to be payable, and additional contributions may be due under the Long Term Funding Agreement.

6. Transfers in

	2023		
	DBS £'000	DCS £'000	Total £'000
Individual transfers in from other schemes	-	2,541	2,541
		2,541	2,541

	2022		
	DBS £'000	DCS £'000	Total £'000
Individual transfers in from other schemes	-	4,730	4,730
	-	4,730	4,730

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

7. Other income

	2023		Total £'000
	DBS £'000	DCS £'000	
Claims on term insurance policies	455	4,397	4,852
Miscellaneous other income	8	-	8
	463	4,397	4,860

	2022		Total £'000
	DBS £'000	DCS £'000	
Claims on term insurance policies	209	3,459	3,668
Miscellaneous other income	500	-	500
	709	3,459	4,168

8. Benefits paid or payable

	2023		Total £'000
	DBS £'000	DCS £'000	
Pensions	46,464	-	46,464
Commutations and lump sum retirement benefits	6,417	1,578	7,995
Uncrystallised Funds Pension Lump Sums (UFPLS)	22	5,868	5,890
Lump sum death benefits	684	5,591	6,275
Purchase of annuities	-	1,624	1,624
Taxation where lifetime or annual allowances exceeded	83	60	143
	53,670	14,721	68,391

	2022		Total £'000
	DBS £'000	DCS £'000	
Pensions	45,544	-	45,544
Commutations and lump sum retirement benefits	8,194	1,937	10,131
Uncrystallised Funds Pension Lump Sums (UFPLS)	58	5,460	5,518
Lump sum death benefits	581	5,520	6,101
Purchase of annuities	3	2,112	2,115
Taxation where lifetime or annual allowances exceeded	264	3	267
	54,644	15,032	69,676

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

9. Payments to and on account of leavers

	2023		
	DBS £'000	DCS £'000	Total £'000
Refunds of contributions in respect of opt-outs	-	10	10
Individual transfers out to other schemes	11,209	39,144	50,353
Bulk transfers out to other schemes	-	44,472	44,472
	11,209	83,626	94,835

	2022		
	DBS £'000	DCS £'000	Total £'000
Refunds of contributions in respect of opt-outs	-	19	19
Individual transfers out to other schemes	13,837	48,356	62,193
Bulk transfers out to other schemes	1,090	-	1,090
	14,927	48,375	63,302

The bulk transfer in the year relates to 820 members of the Babcock Retirement Savings Scheme who were employees of Frazer-Nash Consultancy, a company disposed of by the Babcock Group in 2021. The transfer took place in August 2022.

10. Administrative expenses

	2023		
	DBS £'000	DCS £'000	Total £'000
Actuarial fees	673	-	673
Audit fee	59	15	74
PPF/tPR Levies	208	-	208
Administrative salaries and expenses	1,177	-	1,177
Trustee fees and expenses	77	25	102
Legal and professional fees	499	184	683
	2,693	224	2,917

	2022		
	DBS £'000	DCS £'000	Total £'000
Actuarial fees	490	-	490
Audit fee	37	9	46
PPF/tPR Levy	215	-	215
Administrative salaries and expenses	983	-	983
Trustee fees and expenses	64	17	81
Legal and professional fees	467	211	678
	2,256	237	2,493

Administrative expenses are borne by the Defined Benefit Section. Those relating to the Defined Contribution Section are allocated to it as shown above. No payment is made from or liability recognised by the Defined Contribution Section in respect of this arrangement.

Any other administrative expenses are borne directly by the Principal Employer.

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

11. Other payments

	DBS £'000	2023 DCS £'000	Total £'000
Premiums on term insurance policies	51	2,967	3,018

	DBS £'000	2022 DCS £'000	Total £'000
Premiums on term insurance policies	53	2,881	2,934

12. Transfers between sections

	DBS £'000	2023 DCS £'000	Total £'000	2022 Total £'000
Inter-section transfers	(224)	224	-	-

Inter-section transfers consist of expenses incurred by the Defined Benefit section on behalf of the Defined Contribution section.

13. Investment income

	2023 DBS £'000	2022 DBS £'000
Bonds	14,337	15,731
Net Interest payable on repurchase agreements	(9,180)	(1,278)
Net income receivable on derivatives	(341)	3,031
Income from Pooled Investment Vehicles	22,564	11,414
Interest on Cash Deposits	277	21
Income from annuities	149	145
	27,806	29,064

	2023 DCS £'000	2022 DCS £'000
Interest on Cash Deposits	-	-
	-	-

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

14. Investment management expenses

	2023		Total £'000
	DBS £'000	DCS £'000	
Administration management and custody	1,934	2,633	4,567
Investment Adviser Fees	637	-	637
	2,571	2,633	5,204

	2022		Total £'000
	DBS £'000	DCS £'000	
Administration management and custody	1,167	2,470	3,637
Investment Adviser Fees	430	-	430
	1,597	2,470	4,067

15. Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. The tax charge in the Fund Account (if any) represents irrecoverable withholding taxes arising on investment income.

16. Pooled Investment Vehicles (PIVs)

The holdings of PIVs are analysed below:

Defined Benefit Section	2023 £'000	2022 £'000
Fixed Interest	116,773	255,919
Multi-Asset Credit	72,132	59,548
Absolute Return Bonds	6,995	80,207
Private Debt	49,041	38,715
Secured Finance	88,313	100,003
Managed funds - property	130,174	144,552
Cash investments	18,749	10,662
	482,177	689,606

Defined Contribution Section	2023 £'000	2022 £'000
Diversified Growth	341,848	354,969
Global Equity	484,440	508,650
Money Market	47,735	42,719
Stewardship	2,596	3,516
Target Increasing Annuity	726	1,033
Target Level Annuity	2,939	3,864
Emerging Market Equity	2,425	2,499
Islamic Global Equity	2,557	3,228
Climate Focused	303	226
	885,569	920,704

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

17. Derivative Contracts

Objectives and policies

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the pension scheme.

The principal reason for the use of derivatives is to reduce exposure to liability risks, there is also some scope for their use in order to facilitate efficient portfolio management by enhancing investment returns as opportunities arise.

Interest rate and inflation swaps have been utilised in order to reduce risk arising from changes in the value of the Scheme's liabilities in response to movements in interest rates and inflation rates respectively.

Asset swaps and repurchase agreements have been utilised to gain capital efficient exposure to a combination of swaps and government bonds, which reduce exposure to liability risks.

Fixed interest futures have been utilised in order to provide capital efficient, synthetic sovereign fixed income exposure.

Forward foreign exchange contracts have been utilised in order to hedge the exchange rate exposure arising from the use of equity total return swaps.

The Scheme had derivative contracts outstanding at the period end as shown below. Due to the large numbers of interest rate swaps and inflation swaps contract values have been aggregated and disclosed according to the length of the term.

	2023		2022	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Inflation swaps	58,543	(42,099)	61,669	(46,853)
Interest rate swaps	119,762	(160,882)	152,165	(139,800)
Asset swaps	-	(52,404)	-	(101,994)
Equity total return swaps	2,361	(1,792)	7,697	-
Fixed interest futures	11	(1,323)	953	-
Forward foreign exchange contracts	967	(7)	259	(965)
	181,644	(258,507)	222,743	(289,612)

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

17. Derivative contracts (continued)

Inflation Swaps

	No. of contracts	Notional Amount £'000	Assets £'000	Liabilities £'000
Pay fixed, receive index linked				
Expiring				
within 10 years	39	201,658	26,741	-
between 10 and 20 years	41	121,196	21,263	-
between 20 and 30 years	25	48,122	5,594	(1,046)
between 30 and 40 years	23	23,789	1,649	(165)
between 40 and 50 years	2	5,012	1,293	-
	130		56,540	(1,211)
Pay index linked, receive fixed				
Expiring				
within 10 years	40	122,139	-	(17,215)
between 10 and 20 years	11	84,685	-	(14,215)
between 20 and 30 years	7	40,725	-	(7,057)
between 30 and 40 years	5	10,719	2,003	(31)
between 40 and 50 years	2	5,630	-	(2,370)
	65		2,003	(40,888)
Total Inflation Swaps	195		58,543	(42,099)

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

17. Derivative contracts (continued)

Interest Rate Swaps

	No. of contracts	Notional Receivable £'000	Notional Payable £'000	Assets £'000	Liabilities £'000
Pay fixed, receive floating					
Expiring					
within 10 years	14	194,041	(221,392)	12,706	(13,449)
between 10 and 20 years	13	104,744	(167,555)	8,785	(11,251)
between 20 and 30 years	21	140,234	(189,398)	40,693	(4,007)
between 30 and 40 years	8	21,983	(68,884)	4,596	(4,149)
between 40 and 50 years	5	30,966	(34,920)	12,121	(1,422)
between 50 and 60 years	1	673	(223)	-	(109)
	62			78,901	(34,387)
Pay floating, receive fixed					
Expiring					
within 10 years	29	260,202	(215,163)	16,112	(10,366)
between 10 and 20 years	37	306,273	(264,596)	7,888	(47,418)
between 20 and 30 years	35	134,827	(90,008)	5,946	(21,808)
between 30 and 40 years	34	106,353	(88,709)	8,197	(14,285)
between 40 and 50 years	13	79,435	(67,494)	-	(32,486)
between 50 and 60 years	1	1,641	(261)	85	-
	149			38,228	(126,363)
Basis swaps - Pay floating, receive floating					
Expiring					
within 10 years	1	999	(1,038)	-	(17)
between 10 and 20 years	2	12,173	(12,318)	189	(11)
between 20 and 30 years	5	58,481	(61,488)	1,649	(91)
between 30 and 40 years	7	46,741	(47,644)	795	-
between 40 and 50 years	1	4,687	(4,687)	-	(13)
	16			2,633	(132)
Total interest rate swaps	227			119,762	(160,882)

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

17. Derivative contracts (continued)

Asset Swaps

End date	Notional Receivable £'000	Notional Payable £'000	Assets £'000	Liabilities £'000
July 2024	11,489	(3,869)	-	(2,904)
March 2040	26,889	(24,968)	-	(19,575)
March 2040	27,002	(24,968)	-	(19,298)
November 2055	15,633	(9,977)	-	(10,627)
Total asset swaps			-	(52,404)

Equity total return swaps

	No. of contracts	Assets £'000	Liabilities £'000
Buy MSCI World Min' Volatility UCITS maturing April 2023	2	-	(1,792)
Sell MSCI world Min' Volatility UCITS maturing April 2023	1	832	-
Sell MSCI world Min' Volatility UCITS maturing December 2023	1	1,529	-
		2,361	(1,792)

Fixed interest futures

	No. of contracts	Asset £'000s	Liability £'000s
Futures contracts expiring June 2023	7	11	(1,323)

Babcock International Group Pension Scheme

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Forward Foreign Exchange Contracts

	Settlement Date	GBP Amount £'000	Foreign Currency Amount '000	Assets £'000	Liabilities £'000
Buy GBP Sell Japanese yen	21 April 2023	1,981	(318,634)	39	-
Buy GBP Sell Swiss franc	21 April 2023	876	(971)	15	-
Buy GBP Sell Euro	21 April 2023	3,275	(3,708)	15	-
Buy GBP Sell Australian dollar	21 April 2023	672	(1,222)	10	-
Buy GBP Sell US dollar	21 April 2023	41,451	(50,419)	688	-
Buy GBP Sell Canadian dollar	21 April 2023	1,028	(1,707)	8	-
Buy GBP Sell Hong Kong dollar	21 April 2023	244	(2,312)	6	-
Buy GBP Sell US dollar	26 April 2023	6,247	(7,736)	-	(7)
Buy GBP Sell US dollar	24 May 2023	3,803	(4,586)	98	-
Buy GBP Sell US dollar	14 June 2023	1,764	(2,134)	41	-
Bug GBF Sell Us dollar	14 June 2023	1,202	(1,457)	25	-
Buy GBP Sell US dollar	14 June 2023	1,203	(1,462)	22	-
				967	(7)

Collateral

In respect of the OTC swaps, counterparties had deposited collateral of £13,148,638 (2022: £15,172,928) in favour of the Scheme. Such collateral is not reported within the Scheme's net assets. At the year end the Scheme had deposited collateral of £106,556,304 (2022: £106,065,163) in favour of counterparties. Such collateral is reported within the Scheme's net assets.

18. Longevity Swap Contract

In December 2009 the Scheme entered into an agreement with Credit Suisse. Under the terms of this contract the Trustee is committed to pay a series of fixed payments over a 50 year term to Credit Suisse and in return Credit Suisse will make variable payments to the Trustee to cover the Scheme's obligation to pensioners and their dependants. The value of the contract at year end is shown below:

	Expiration	2023 £'000	2022 £'000
Liability driven investment swaps	November 2059	(51,000)	(58,918)

During the year to 31 March 2023, the Scheme's gross commitment to make fixed payments was £18,440,053 and Credit Suisse's gross variable payments due to the Trustee was £16,829,139. The net payment of £1,610,914 is shown as payments in respect of this investment (see note 22).

Under the terms of this contract the Trustee had placed collateral to the value of £43,920,734 at 31 March 2023 (2022: £58,950,000).

The value of the longevity swap is affected by changes in underlying assumptions such as discount rate, inflation and the mortality scaling factors. Under the Pensions SORP, the Trustee is required to value the longevity swap at fair value at year end. As there is no secondary market for longevity swaps, a basis for estimating fair value is required. Previously, the Trustee has chosen to adopt the value of the collateral in place at year end as the basis for valuation. As noted in the prior year, Babcock International Group PLC restated the value of the longevity swap in its accounts for the year ended 31 March 2022, stating that it no longer considered collateral

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

value to be a fair proxy for fair value under IAS19, and adopting an alternative valuation method.

The Trustee has reviewed its own methodology for valuation of the longevity swap and has now adopted an alternative approach, reflected in the value as at 31 March 2023 above. The alternative approach is to value a notional replacement swap, using assumptions underlying the Scheme's funding valuation, and applying an adjustment for a market-based fee. The Trustee considers this approach to represent a better estimate of fair value than the collateral basis. As this change is simply a change of estimate, rather than a change of accounting policy, no restatement has been made in respect of prior years.

19. AVC investments

The Trustee holds assets invested separately from the main fund in the form of insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 31 March confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2023	2022
	£'000	£'000
Utmost Life and Pensions (prev. Equitable Life Assurance Society)	34	33
	34	33

During the prior year the majority of members' AVC investments were transferred in bulk to the Defined Contribution Section. Following these transfers the AVC arrangement with Aviva Life & Pensions was closed and a small number of members remained in the arrangement with Utmost Life and Pensions. See also notes 6 and 9.

20. Other investment balances

	2023		2022	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Repurchase and reverse repurchase agreements	-	(318,883)	-	(522,990)
Interest on repurchase agreements	-	(1,971)	-	594
Investment Income receivable / (payable)	9,124	-	5,580	-
Recoverable Tax	-	-	-	-
Balances on futures contracts	5,621	-	-	(1,060)
Unsettled sales / (purchases)	153	-	22,128	(229)
	14,898	(320,854)	27,708	(524,943)

Repurchase and reverse repurchase agreements

During the year the Scheme has used repurchase agreements to increase fixed interest exposure as part of the liability hedging programme. Fixed interest securities have been sold and purchased subject to contractual agreements for the repurchase of equivalent securities. Security for these agreements is provided by the cash received on sale and by the exchange of collateral in the form of fixed interest securities.

Collateral has been deposited by counterparties (2022: by the Scheme) to cover the net exposure between the fixed interest investments sold subject to repurchase agreements of £326,236,253 (2022: £508,433,285) and the value of the liability at maturity date of £318,883,000 (2022: £522,990,000).

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

At the year end net collateral of £3,059,354 was in place in favour of the Scheme (2022: £51,939,445 in favour of counterparties).

21. Investment reconciliation

Reconciliation of investments held at the beginning and the end of the year:

Defined Benefit Section	Value at 1 April 2022 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in Market Value £'000	Value at 31 March 2023 £'000
Bonds	1,322,908	129,919	(127,688)	(357,821)	967,318
Pooled Investment Vehicles	689,606	744,671	(902,408)	(49,692)	482,177
Derivatives	(66,869)	908,131	(914,514)	(3,611)	(76,863)
Longevity Swap	(58,918)	1,611	-	6,307	(51,000)
AVC investments	33	-	-	1	34
	1,886,760	1,784,332	(1,944,610)	(404,816)	1,321,666
Cash Deposits	48,953				11,534
Other Inv. Balances	(497,235)				(305,956)
	1,438,478				1,027,244

Defined Contribution Section	Value at 1 April 2022 £'000	Purchases at cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31 March 2023 £'000
Pooled Investment Vehicles	920,704	94,997	(96,586)	(33,546)	885,569

Included within the above Bonds is an amount of £43,920,734 (2022: £58,9500,000) held with Insight as collateral for the Longevity Swap contract.

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.

Investments purchased by the Defined Contribution section are all allocated to provide benefits to the individuals on whose behalf the corresponding contributions were paid. Accordingly, the assets identified as allocated to Defined Contribution section members do not form a common pool of assets available to members generally. Members of the Defined Contribution section each receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights.

Annuity policies are held to cover pensions in payment in respect of certain members. These policies are specifically allocated to the provision of benefits for, and provide all the benefits payable under the Scheme to those members. Accordingly, the acquisition costs of such policies are treated in the Fund Account for the period in which they arise, as the cost of discharging the obligations of the Scheme. As the value of such policies is immaterial to the assets of the Scheme as a whole no value has been included for them within Net Assets at the year end date.

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

22. Current assets

	2023		Total £'000
	DBS £'000	DCS £'000	
VAT recoverable from employer	139	-	139
Pensions paid in advance	2,480	-	2,480
Contributions receivable			
- Employer deficit funding	13,659		13,659
Due from DC section	198	-	198
Prepaid expenses	3,095		3,095
Sundry debtors	80	-	80
Cash at bank	6,101	1,402	7,503
	25,752	1,402	27,154

	2022		Total £'000
	DBS £'000	DCS £'000	
VAT recoverable from employer	176	-	176
Pensions paid in advance	2,367	-	2,367
Contributions receivable			
- Employer normal	-	46	46
- Employer expenses	739	-	739
- Employer group life	2,881	-	2,881
Due from life cover insurer	209	-	209
Due from DC section	121	-	121
Cash at bank	28,092	1,338	29,430
	34,585	1,384	35,969

Current assets in respect of the Defined Contribution section are allocated for the use of members.

Contributions receivable in both the prior and current in year were subsequently paid in line with the relevant Schedule of Contributions.

23. Current liabilities

	2023		Total £'000
	DBS £'000	DCS £'000	
Benefits payable	736	1,139	1,875
Accrued expenses	2,339	-	2,339
Due to DB Section	-	198	198
Longevity Swap payables	167	-	167
HM Revenue & Customs	148	-	148
	3,390	1,337	4,727

	2022		Total £'000
	DBS £'000	DCS £'000	
Benefits payable	829	1,169	1,998
Accrued expenses	1,354	-	1,354
Due to DB Section	-	121	121
Longevity Swap payables	124	-	124
HM Revenue & Customs	153	-	153
	2,460	1,290	3,750

Current liabilities in respect of the Defined Contribution section are allocated for the use of members.

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

24. GMP Equalisation

As explained on page 7 in the Trustee Directors' Report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The Trustee is aware that the issue will affect the Scheme and continues to participate in a working party with the employer and the other principal Babcock Group pension schemes to consider the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

In a further ruling, on 20 November 2020, in a follow up case, the High Court determined the need for schemes to equalise for the effect of GMPs on past transfer values. Transfer values from May 1990 should be assessed to determine whether any top-up payment is required to the receiving scheme. The Trustee is currently considering the impact of this judgment but does not anticipate that the amounts involved will be material to the financial statements and no liability is included in respect of them in these financial statements. In the funding valuation as at 31 March 2022 the Scheme Actuary added 1.1% to the Scheme's Technical Provisions in order to allow for the cost of equalising GMP's, including an allowance for historic transfers out.

25. Transaction costs

Included within investment purchases and sales are direct transaction costs of £321,000 (2022: £4,000) comprising fees and commissions. Included within investment management expenses (see Note 14) are broker fees of £32,000 (2022: £12,000) incurred in respect of the 'RepoClear' service used for trading cleared repurchase agreements. These costs are attributable to the key asset classes as follows:

	DBS Fees £'000	DBS Commission £'000	2023 DBS Total £'000	2022 DBS Total £'000
Derivative commissions	-	5	5	4
Absolute Return Bonds PIV sales	316	-	316	-
Property fund PIV sales and purchases	-	-	-	-
Repurchase agreements	32	-	32	12
	348	5	353	16
2022	12	4	16	-

In addition to the transaction costs noted above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

26. Investment Fair Value Hierarchy

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

- Level (1) the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;
- Level (2) inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;
- Level (3) inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For those investments that fell into level (2) and (3) above, their fair value is measurable reliably if either (a) there is insignificant variability in the range of fair value estimates, or (b) a reasonable estimate of the fair value can be calculated by probability-weighting the possible outcomes.

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

	Level (1)	Level (2)	Level (3)	Total
	£'000	£'000	£'000	£'000
At 31 March 2023				
Defined Benefit Section				
Bonds	854,926	112,392	-	967,318
Pooled Investment Vehicles	-	135,523	346,654	482,177
Derivatives	(1,311)	959	(76,511)	(76,863)
Longevity swap	-	-	(51,000)	(51,000)
AVC investments	-	34	-	34
Cash	11,534	-	-	11,534
Other investment balances	7,960	(319,498)	5,582	(305,956)
	873,109	(70,590)	224,725	1,027,244
Defined Contribution Section				
Pooled Investment Vehicles	-	885,569	-	885,569
	873,109	814,979	224,725	1,912,813
<hr/>				
	Level (1)	Level (2)	Level (3)	Total
	£'000	£'000	£'000	£'000
At 31 March 2022				
Defined Benefit Section				
Bonds	1,160,913	161,995	-	1,322,908
Pooled Investment Vehicles	-	338,889	350,717	689,606
Derivatives	953	(706)	(67,116)	(66,869)
Longevity swap	-	-	(58,918)	(58,918)
AVC investments	-	33	-	33
Cash	48,953	-	-	48,953
Other investment balances	1,012	(500,050)	1,803	(497,235)
	1,211,831	161	226,486	1,438,478
Defined Contribution Section				
Pooled Investment Vehicles	-	920,704	-	920,704
	1,211,831	920,865	226,486	2,359,182

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

26. Investment Fair Value Hierarchy (continued)

The significant negative Level 2 balances included in 'Other investment balances' primarily comprise repurchase agreements in respect of government bonds. Although the bonds themselves are included in Level 1 the repurchase agreements are considered to be more appropriately classified as Level 2 as they are contractual agreements and not priced on any exchange.

As noted in previous reports, subscriptions and redemptions to the H2O Allegro and Adagio funds held by the Scheme, were suspended on 28 August 2020 for a temporary period to allow restructuring of the funds in order to separate 'private' securities held within the funds from the other assets. Following the lifting of the suspension the Scheme disposed of the bulk of its holdings with H2O, with assets valued at approximately £6,995,000 remaining at 31 March 2023 (2022: £7,900,000) in illiquid 'side-pocketed' funds. The Trustee believes a classification of Level (3) is appropriate in respect of these remaining assets.

27. Investment risks

Defined Benefit Section

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed at the end of the reporting period. These risks are set out by FRS102 as follows:

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

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

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

The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Trustee has delegated the implementation of the investment strategy to the Investment Committee ("IC"). The IC appoints investment managers, who are responsible for the day-to-day management of the asset portfolio of the Scheme.

The Trustee and the IC manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's investment objectives and investment strategy. The investment objectives, investment strategy and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee via their representatives on the IC. The IC undertakes regular reviews of the investment portfolios including the compliance with the risk limits. In addition, a process is in place to reduce risk as the funding level improves and the IC monitors the funding level on a regular basis in order to capture opportunities to remove investment risk from the portfolio.

Further information on the Trustee's approach to credit and market risks is set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

27. Investment risks (continued)

Investment strategy

The investment objectives, investment strategy and risk limits of the Scheme are outlined in the Statement of Investment Principles (“SIP”) and the day-to-day implementation of the SIP is set out in the Investment Policy Implementation Document (“IPID”).

The objective is to invest the Scheme’s assets in the best interests of the members and beneficiaries by ensuring that benefit obligations can be met and by achieving a high level of security of benefits. It is recognised that it is desirable to take on a controlled level of investment risk in order to improve the Scheme’s funding level. The Trustee has agreed to move towards a target of full funding on a gilts flat basis through a long term de-risking strategy. De-risking will be implemented as the funding level on the long term target improves over time.

The investment strategy takes account of the maturity profile of the Scheme, the funding level on the de-risking basis and the strength of covenant of the Principal Employer. Assets are allocated between three portfolios as detailed below, each with a different objective. Reallocation of assets between the portfolios takes place as the de-risking funding level changes over time.

- The Growth Portfolio is designed to generate a long term return and comprises such growth seeking investments as equities, multi-strategy funds, multi-asset credit, emerging market debt, and investment property.
- The Low Risk Portfolio is designed to reduce risk and generate a long term return and comprises investment grade corporate bonds, absolute return bonds, asset backed securities and high lease to value property and other investments designed to deliver positive returns over the long term with low volatility.
- The Matching Portfolio is a very low risk portfolio, the primary aim of which is to hedge the liabilities by matching movements in the de-risking funding level caused by interest rate and inflation changes. The portfolio comprises government bonds, repurchase agreements, swaps and cash.

In addition, the IC can use equity futures as a short term measure in order to implement de-risking or to re-risk in order to achieve the desired return.

Each of the investment risk types is considered below.

(i) Credit Risk

The Scheme is subject to credit risk as it directly invests in bonds, OTC derivatives and holds cash balances. The Scheme also invests in pooled investment vehicles (PIVs) and is therefore directly exposed to credit risk in relation to the instruments it holds in PIVs. The Scheme is indirectly exposed to credit risks arising on the financial instruments held by the PIVs.

Analysis of direct credit risk *

	Investment grade	Non-investment grade	Unrated	Total
	£'000	£'000	£'000	£'000
At 31 March 2023				
Bonds	967,318	-	-	967,318
OTC Derivatives	181,633	-	-	181,633
Cash	11,534	-	-	11,534
Other investment balances	9,226	-	5,672	14,898
Pooled Investment Vehicles	-	-	482,177	482,177
	1,169,711	-	487,849	1,657,560

* Only asset balances are shown as liability balances are not considered to be exposed to credit risk from the Scheme’s perspective.

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

27. Investment risks (continued)

	Investment grade	Non-investment grade	Unrated	Total
	£'000	£'000	£'000	£'000
At 31 March 2022				
Bonds	1,322,908	-	-	1,322,908
OTC Derivatives	221,790	-	-	221,790
Cash	48,953	-	-	48,953
Other investment balances	3,625	-	24,083	27,708
Pooled Investment Vehicles	-	-	689,606	689,606
	1,597,276	-	713,689	2,310,965

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's.

Government bonds and Corporate bonds: Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal. Credit risk arising on corporate bonds held directly is mitigated by investing in corporate bonds which are rated at least investment grade.

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

Credit risk on reverse repurchase agreements is mitigated through collateral arrangements as disclosed in note 21.

Credit risk on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). 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 is reduced by the use of collateral arrangements as disclosed in note 18. Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade.

The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The IC, acting on behalf of the Trustee, manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment. Direct credit risk arising from pooled investment vehicles is mitigated by the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

Pooled investment arrangements used by the Scheme comprise Open Ended Investment Companies, Closed Ended Investment Companies, unit trusts, Qualifying Investor Funds, Qualifying Investor Alternative Investment Funds (QIAIFs), Undertakings for Collective Investment in Transferable Securities (UCITS), Unregulated Collective Investment Schemes (UCIS), sub-funds of an umbrella fund and Limited Partnerships.

The indirect credit risk arising in relation to the underlying investments held in all pooled investment vehicles is mitigated through careful selection and ongoing monitoring of pooled funds by the IC. The Scheme invests in Funds which may hold non-investment grade credit rated instruments with a view to adding value.

(ii) Currency risk

The Scheme is directly exposed to currency risk because some of the pooled investment vehicles in which it invests are denominated or priced in a foreign currency. Indirect currency risk arises from the Scheme's investment in Sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currency.

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

27. Investment risks (continued)

The Scheme's investment in overseas fixed interest bonds exposes the Scheme to direct and indirect currency risk. To limit currency risk 50% of the Scheme's direct currency exposure is hedged using Equity Total Return Swaps and Forward Foreign Exchange contracts. The IC considers any foreign currency hedging that is conducted within pooled investment vehicle as well as any exposure arising from new investments and revisits its overseas currency hedging policy on a regular basis.

The Scheme's total gross direct exposure by major currency at the year end was as follows:

	2023 £'000	2022 £'000
US Dollar	14,919	40,789
Other	105	245

(iii) Interest rate risk

The Scheme is directly exposed to interest rate risk because some of the investments are held in bonds, swaps, cash and fixed interest futures, as segregated investments. The longevity swap exposes the Scheme to interest rate risk as it is valued by discounting the projected payments by an interest rate. There is also indirect exposure through pooled vehicles. The Trustee has considered interest rate risks in the context of the investment strategy and believe such exposures will add value for the Scheme. At the year end investments held that are subject to interest rate risk comprised:

	2023 £'000	2022 £'000
Direct		
Fixed interest bonds	967,318	1,322,908
Interest rate swaps	(41,120)	12,365
Asset swaps	(52,404)	(101,994)
Fixed interest futures	(1,312)	953
Longevity swap	(51,000)	(58,918)
Cash deposits	11,534	48,953
Indirect		
Fixed Interest (PIVs)	116,773	255,919
Multi-Asset Credit (PIVs)	72,132	59,548
Absolute Return Bonds (PIVs)	6,995	80,207
Secured Finance (PIVs)	88,313	100,003
Private Debt (PIVs)	49,041	38,715
Cash investments (PIVs)	18,749	10,662

The Scheme's exposure to direct interest rate risk arises primarily through its segregated investments in the Matching Portfolio. Investments are held in the Matching Portfolio because their sensitivity to interest rates helps to mitigate funding level volatility risk that arises from changes in the liabilities. Under this strategy, if interest rates fall, the value of the Matching investment will rise to help match the increase in Scheme liabilities arising from a fall in the discount rate.

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

27. Investment risks (continued)

These exposures are not hedged as they are consistent with the objective of the Scheme's Low Risk Portfolio; however, the Scheme's corporate bond investments are taken into account when designing the Scheme's interest rate liability hedge.

Further, the Trustee invests in Fixed Interest, Absolute Return Bonds, Multi-Asset Credit, Secured Finance, Private Debt and cash pooled investment funds which expose the Scheme to indirect interest rate risk. These investments are part of the investment managers' strategy to add value and as such the exposure has been left unhedged.

(iv) Other price risk

Other price risk arises principally from the Scheme's investments in the growth seeking portfolio. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

The longevity swap exposes the Scheme to other price risk through exposure to changes in longevity, noting that the swap is in place to hedge such risk by matching the cashflows from the swap to the liability to pay benefits to the pensioners covered by the swap.

At the year end the Scheme's exposure to investments subject to other price risk was:

	2023	2022
	£'000	£'000
Direct		
Equity total return swaps	569	7,697
Longevity swap	51,000	51,898
Indirect		
Property PIVs	130,174	144,552

Defined Contribution Section

Investment risk disclosures

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. The DC section is subject to direct credit risk in relation to the insurance policy it holds with Aviva Life & Pensions Limited and is directly exposed to credit risk in relation to the instruments it holds in the unit linked funds provided by the underlying investment managers. In the event of default an element of protection is offered by the Financial Services Compensation Scheme.

Market risk: this comprises currency risk, interest rate risk and other price risk.

Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

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

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

27. Investment risks (continued)

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy. These are monitored by the Trustee by regular reviews of the investment portfolios. The Trustee has delegated the day-to-day management of the assets to the discretion of the managers of the pooled funds.

Investment strategy

The Trustee believes, having taken expert advice, that it is appropriate to offer a range of investment funds to allow members to tailor their own investment strategy. The view of the Trustee is that it should provide good quality lower cost funds for members.

The Trustee recognises that, while the fund range should help members choose funds, from an administrative perspective there is merit in providing a default option and a range of self-select Lifetime options for members who are unlikely to want to make their own choice of funds. The default option is broadly designed for members who plan to withdraw the whole pot as cash at retirement (since membership analysis has indicated that this is likely to be the preferred outcome for the majority of members in the short to medium term). Auto-enrolment regulations also require the Scheme to have in place a default option.

The Trustee has also designed Lifetime strategies for members who plan to facilitate drawdown of capital at retirement and for members likely to purchase an annuity at retirement.

The Trustee is aware that no default fund or Lifetime option can be appropriate for all members because of their varying needs and attitudes to risk. The Trustee would therefore encourage members to make their own investment decisions.

As a result the Trustee has decided to offer the following funds to self-select members:

- Emerging Market Equity Fund
- Global Equity Fund
- Diversified Growth Fund
- Target Increasing Annuity Fund
- Target Level Annuity Fund
- Money Market Fund
- Stewardship Fund
- HSBS Islamic Global Equity Index

28. Concentration of investments

Investments, other than UK government securities, accounting for more than 5% of the net assets of the scheme at the year end were:

	2023		2022	
	£'000	%	£'000	%
At 31 March				
Defined Benefit Section				
Aviva Lime Property fund	98,446	5	-	-
Wellington High Yield Credit fund	-	-	-	-
Insight LDI Active 26 fund	116,216	6	129,362	5
Defined Contribution Section				
Aviva Pension Diversified Growth fund	341,848	18	354,969	15
Aviva Pension Global Equity fund	484,440	25	508,650	21

Babcock International Group Pension Scheme

Notes to the Financial Statements for the year ended 31 March 2023

29. Capital commitments

As a consequence of the property investments entered into with Longbow, Patrizia (previously Rockspring) and Aviva, and the Private Debt arrangement with Cambridge Associates, the Scheme is committed to complying with funding requests, known as draw downs, up to an agreed maximum funding limit. The total amount drawn down, cumulative commitment and cumulative undrawn commitment at the year end are shown below.

	2023 £'000	2022 £'000
Cumulative commitment	187,691	187,691
Drawn down	(169,072)	(169,072)
Cumulative undrawn commitment	18,619	18,619

30. Self-investment

The Scheme does not hold any direct investments in its sponsoring company or its affiliates.

31. Related party transactions

Related party transactions and balances outstanding at year end are analysed below:

	2023 £000		2022 £000	
	Assets/ (Liabilities)	Expenses	Assets/ (Liabilities)	Expenses
Trustee fees and expenses recharged by Babcock International Ltd	(49)	102	(27)	81
Administration services recharged by Babcock International Limited	(174)	401	(83)	328
Rosyth Royal Dockyard Limited	(50)	109	(27)	107
Babcock Marine (Rosyth) Limited	-	-	-	-
Rosyth Royal Dockyard Pension Scheme	-	-	-	(10)
Devonport Royal Dockyard Pension Scheme	-	4	-	(3)
Babcock Naval Services Pension Scheme	-	(1)	-	(1)

The Trustee fees and expenses in the prior year were in respect of certain Trustee Directors, including Pensioner Trustee Directors. Such Trustee Directors are paid by Babcock International Limited via payroll and their costs recharged to the Scheme. Contributions received in respect of, and benefits paid to Trustee Directors who are members of the Scheme have been made in accordance with the Trust Deed and Rules.

A number of Scheme administration personnel are employees of Babcock International Limited, a Babcock group company, for whose services the Scheme was charged. Administration services were also provided by Rosyth Royal Dockyard Limited, a Babcock group company, for which the Scheme was charged, in the prior year such services were provided by Babcock Marine (Rosyth) Limited.

From time to time the Scheme may incur costs on behalf of other Babcock group pension schemes, such costs are recharged to the schemes to which they relate. Similarly, the Scheme may be charged for costs incurred on its behalf by other Babcock group pension schemes.

Babcock International Group Pension Scheme

Actuary's certification of the Schedule of Contributions

Babcock International Group Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2019 to be met by the end of the period specified in the recovery plan dated 28 February 2020.

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 28 February 2020.

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

Signature:



Date: 28 February 2020

Name: Simon Head

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Verulam Point,
Station Way
St Albans
AL1 5HE

Name of employer: Aon Hewitt Limited

Babcock International Group Pension Scheme

Report on Actuarial Liabilities

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

The most recent actuarial valuation of the Scheme was carried out as at 31 March 2022. This showed that on that date:

The value of the technical provisions was: £1,462 million

The value of the assets at that date was: £1,529 million

The surplus at that date was: £67 million

The value of the assets as a percentage of the technical provisions at that date was: 105%

The figures above relate to the Scheme's defined benefit assets and liabilities only (excluding AVCs and defined contribution benefits). The results shown include a partial allowance for the additional liabilities in respect of the longevity swap with Credit Suisse which is held by the Trustee. The remainder of these liabilities are funded for separately by additional Company contributions.

The method and significant assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount interest rate: term dependent rates set by reference to the UK fixed interest forward gilt yield curve at the valuation date, plus 1.0% per annum up to 31 March 2037, and plus 0.5% per annum thereafter.

Future Retail Price inflation: term dependent rates derived from the difference between the market yields on long-dated fixed interest and index-linked gilts at the calculation date.

Future Consumer Price inflation: term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 0.9% per annum prior to 2030, and less 0.1% per annum from 2030 onwards.

Pension increases: term dependent rates derived from the assumption for future price inflation (consumer price inflation or retail price inflation as appropriate) allowing for the caps and floors on pension increases according to the provisions in the Scheme's rules.

Pay increases: pay increases (inclusive of promotional increases) of 0.3% per annum above the term dependent rates for future consumer price inflation.

Mortality: standard tables S3PA with scaling factors for males / females of:

- 106% / 107% for non-pensioner members
- 100% / 98% for pensioners

An allowance is made for future improvements in line with the CMI_2021 Core Projections with $S_K = 7.0$, $A = 0.5$ and assuming a long-term annual rate of improvement in mortality rates of 1.5% for males and females.

GMP equalisation: an allowance of 1.1% of liabilities is made for GMP equalisation.

Babcock International Group Pension Scheme

Typical questions and information

How the Scheme operates

How is my pension paid for?

Contributions are paid to the Scheme by employers and members to build up a common fund so that the Scheme can pay pensions to members as and when they retire.

This fund is held separate from Babcock. It is not held in separate funds for each individual, apart from the funds held in the Defined Contribution Section of the Scheme and any Defined Contribution Additional Contributions.

How is the amount the Scheme needs worked out?

The Trustee obtains regular (usually three-yearly) valuations of the benefits earned by members. Using this information, the Trustee arrives at an agreement with Babcock on future contributions.

The importance of Babcock's support

The Trustee's objective is to have enough money in the Scheme to pay pensions now and in the future. However, success of this plan relies on Babcock continuing to support the Scheme because:

- the funding level can fluctuate, and when there is a funding shortfall, Babcock may need to put in more money; and
- the cost of providing benefits may increase so that the employers (and possibly employees) may need to put in more money.

What would happen if the Scheme started to wind up?

If the Scheme were to start to wind up following a termination event, Babcock would be required to pay enough money into the Scheme to enable the members' benefits built up to date to be completely secured with an insurance company.

The Trustee and Babcock have no plans to wind up the Scheme.

The estimated funding level on wind-up (assuming benefits were secured with an insurance company) as at 31 March 2022 was 86%.

If the Scheme were to start to wind-up and Babcock were unable to pay the full shortfall you might not get the full amount of pension you have built up.

If Babcock became insolvent, the *Pension Protection Fund* (PPF) may be able to take over the Scheme and pay compensation to members. The PPF has been set up by the Government to help protect members' pensions where a company becomes insolvent, although it does not guarantee to pay full benefits.

Further information and guidance is available on the PPF's website at www.pensionprotectionfund.org.uk. Alternatively you can write to the PPF at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

Why does the funding plan not call for a full buyout level of solvency at all times?

This full buyout position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and include a profit margin. The cost of securing pensions in this way also incorporates the future expenses involved in administration. By contrast, our funding plan

Babcock International Group Pension Scheme

assumes that Babcock will continue in business and support the Scheme while adopting less conservative assumptions about the future.

Additional documents available on request

The Statement of Investment Principles. This explains how the Trustee invests the Scheme assets.

The Schedule of Contributions. This shows the amount that is being paid into the Scheme.

The Annual Report and Accounts of the Scheme, which shows the Scheme's income and expenditure.

The full report on the *Actuarial Valuation* following the actuary's check of the Scheme's situation as at 31 March 2022.

The *Scheme Booklet* outlining the benefits provided by the Scheme.

An *Annual Benefit Statement* – If you are not receiving a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for a statement that provides an illustration of your likely pension.

Where can I get more information?

If you have any other questions, or would like any more information, please contact us. A list of more detailed documents which provide further information is shown above. If you want us to send you any of these documents please let us know.

Note: So that we can continue to contact you in future, please let us know in writing should you change your address.

Important: If you are thinking of leaving the Scheme for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action.

Babcock Pension Trust Limited
Trustee of the Babcock International Group Pension Scheme

Contact information

By post: Tristan Claffey, Secretary to the Trustee Board, Babcock International Group Pension Scheme, Rivergate House, Newbury Business Park, London Road, Newbury, RG14 2PZ ; By telephone: 01635 916344.

Babcock International Group Pension Scheme

Compliance Statement For the year ended 31 March 2023

HM Revenue and Customs approval

The Scheme is a registered pension scheme in accordance with the Finance Act 2004. This means that the contributions paid by both the Employer and the members qualify for full tax relief, and enables income earned from investments by the Trustee Directors to receive preferential tax treatment.

With effect from 6 April 2006 the Scheme is classified as a registered pension scheme under the terms of the Finance Act 2004.

Other information

- (i) The Trustee Directors are required to provide certain information about the Pension Tracing Service. Information about the Scheme (including a contact address) has been provided to the Pension Tracing Service as required by law. Because the Pension Tracing Service holds the same information for other pension schemes, it offers a service which enables members to trace benefits from previous employers' schemes. The Pension Tracing Service can be contacted at the following address:

The Pension Tracing Service
The Pension Service
Tyneview Park
Whitley Road
Newcastle Upon Tyne
NE98 1BA

Tel 0345 600 2537 or visit the website at www.gov.uk/find-pension-contact-details

- (ii) The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to an Occupational Pension scheme. Any such complaints should be addressed in the first instance to the Scheme Adjudicator. Enquiries should be addressed to:

The Pensions Ombudsman
Canary Wharf
E14 4PU
Telephone: 0800 917 4487
Website: www.pensions-ombudsman.org.uk

- (iii) If you have general requests for information or guidance concerning your pension arrangement contact:

The Pensions Advisory Service Limited
11 Belgrave Road
London
SW1V 1RB

Telephone: 0800 011 3797
Website: www.pensionsadvisoryservice.org.uk

Babcock International Group Pension Scheme

Compliance Statement For the year ended 31 March 2023

- (iv) The Pensions Regulator (TPR) was established to regulate occupational pension schemes.

TPR's role is to act to protect the interests of pension scheme members and to enforce the law as it applies to occupational pensions.

The regulations set out clearly the areas that TPR covers and the powers that are vested in it. For example, TPR can prohibit or disqualify trustees for acting unlawfully, and can impose fines on wrongdoers.

TPR can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Tel 0345 600 7060 or visit the website at www.thepensionsregulator.gov.uk

- (v) The Pensions Protection Fund was established to provide compensation to members of eligible defined benefit pension schemes, where there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation.

The Pension Protection Fund is a statutory fund run by the Board of the Pension Protection Fund, a statutory corporation established under the provision of the Pensions Act 2004. The Pension Protection Fund became operational on 6 April 2005.

- (vi) The Trust Deed and Rules, the Scheme details, and a copy of the Schedule of Contributions and the Statement of Investment Principles are available for inspection free of charge by contacting the Trustee Directors at the address shown for enquiries in this report.

Any information relating to the members' own pension position, including estimates of transfer values, should also be requested from the administrators of the Scheme, Defined Benefit Section, Hymans Robertson LLP, and for the Defined Contribution Section, Aviva at the addresses detailed on page 3 of this report.