

BOC Pension Scheme

Annual Report and Financial Statements

For the year ended 31 March 2021

Scheme Registration No. 10124787

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Trustee and advisers

Trustee Company	BOC Pension Scheme Trustees Limited
Trustee Directors	Employer nominated J Hylands (Chair) * (deceased 6 August 2021) Capital Cranfield Pension Trustees Limited * represented by: G Emmerson D Gowland + K Russell # A Smith ^ Member-nominated D A Beech + S De Vall C D Morton + *# J Whiting # Audit Committee + Governance Committee * Joint Investment Committee ^ Medical Committee
Secretary	S K Kelly
Scheme administrator	BOC Pension Services ADP (Pension Payroll)
Principal employer	The BOC Group Limited
Participating employers	BOC Limited Linde plc
Actuary	R Shackleton FIA Hymans Robertson LLP
Auditor	Ernst & Young LLP
Investment Manager	BOC Pensions Limited
Legal adviser	Mayer Brown International LLP
Covenant adviser	Penfida Limited
Bankers	HSBC Bank Plc
Medical adviser	Medigold Health Consultancy Limited
Enquiries	Director of Pensions Services RUK, BOC Pension Services The Priestley Centre, 10 Priestley Road The Surrey Research Park Guildford, GU2 7XY Email: pensions.uk@boc.com

Trustee Report

The Trustee of the BOC Pension Scheme (the “Scheme”) presents their annual report for the year ended 31 March 2021.

Introduction

The BOC Pension Scheme (“BOCPS”) is a defined benefit pension scheme set up by a trust deed dated 29 March 1974. Subsequent variations have been issued, the latest dated 29 July 2020. Throughout the year under review, BOCPS Trustees Limited was the Trustee of BOCPS.

The Scheme provides a lump sum benefit in the event of death-in-service and earnings-related pension benefits for and in respect of Scheme members. The Scheme was closed to new entrants on 1 July 2003.

In the Report, “Company” means The BOC Group Limited.

On 1 October 2020 Linde Plc, The Company, Gist Limited, the respective Trustee of the Gist Limited Pension Scheme (‘GLPS’) and BOCPS completed an agreement to merge GLPS into the Scheme. Assets totalling £163,109k were transferred to the Scheme as disclosed in note 3 on page 20. These assets were subsequently invested in the BOC Pension Investment Fund as disclosed in note 7 on page 22. Transfer of deferred and pensioner membership is disclosed in the membership movements on page 11. These benefits are now payable by the Scheme.

Gist Limited offered an Early Retirement with Company Consent (“ERCC”) programme to allow active GLPS members with deferred Scheme benefits to retire early if they were over the age of 54 on 30 June 2019. This programme used an actuarial reduction as set out in the GLPS rules. The cost of meeting this actuarial reduction was met by Gist Limited and is shown as augmentations in note 2 on page 20.

The Scheme investments are held within the BOC Pensions Investment Fund (“BOCPIF”). The Administrator Report for BOCPIF is attached as Appendix A. Further information on this is noted on page 12.

The objective of this Report is to provide a formal and historical record. Less formal publications are used to keep members informed about the progress of the Scheme. Information can also be obtained from the BOC Pension Services internet website www.bocpensions.co.uk.

COVID-19

The Trustee has reviewed reports from its advisers and the Pensions Regulator on the impact of COVID-19 for pension schemes. The Trustee also continues to monitor the Scheme’s funding position on a regular basis to ensure benefit payments can be met, and that the Scheme continues to be administered effectively.

The Trustee continues to prioritise bereavement services and payment of retirement benefits, with cash equivalent transfer values (CETVs) being designated a lesser priority. The administration team has continued with a flexible home working environment and has maintained full operational function. None of the team were furloughed.

As the Trustee secured a Linde Plc Parent Company Guarantee in the prior year to financially support the Scheme, the Trustee considers that the COVID-19 pandemic does not create a material uncertainty to the Scheme.

The Administrator Report of BOCPIF is attached as Appendix A which details further information on how investments have performed. This can be found in the Market Review section on page 10. Further comment regarding the impact of COVID-19 on investments can be found on page 11.

Trustee Report (continued)

Enquiries and complaints

The address for enquiries about the Scheme, matters regarding entitlement of an individual to benefits, complaints regarding Scheme administration and requests for further information is shown on page 2.

Management of the Scheme

Three of the Trustee Directors, the Independent Trustee and the Professional Trustee are appointed by the Company.

The professional trustee is a trustee company (Capital Cranfield Pension Trustees Limited) who acts as a Trustee Director to the trust. That company has no interest in the assets of the trust; they are not a beneficiary of the trust and are not entitled to share in the assets of the trust.

The Independent trustee was a person (John Hylands) who acted as a Trustee Director to the trust. That person had no interest in the assets of the trust; they were not a beneficiary of the trust and were not entitled to share in the assets of the trust.

The term of office of Member-Nominated Trustee Directors is normally five years. The Independent Trustee Director's term of office was three years. The Professional Trustee appointment is on an on-going basis subject to an agreed notice period on either side.

The four Member-Nominated Trustee Directors are elected from and by the Pensions Advisory Council (PAC). The PAC is a body set up by the Company, and responsible to the Company, whose primary role is to provide a sounding board on pensions policy and enable queries and information sharing on behalf of active membership. The PAC met on three occasions during the year.

The PAC comprises:

- contributing members of the Scheme elected by members from the various businesses
- two pensioner representatives elected by retired members of the Scheme
- a Chairman and Vice-Chairman appointed by the Company
- the Director of Pensions Services RUK (ex-officio)

A Trustee Director will generally cease to hold office on resignation or on leaving the Company. The PAC can instigate removal of elected Trustee Directors. The Company has the power to remove appointed Trustee Directors and the Professional Trustee.

The Trustee met on five occasions during the year to review investment activities, administration and any other matters affecting the Scheme and its members. The Trustee has appointed external specialists to advise on legal, investment, actuarial, employer covenant and accounting matters. There were no changes to the advisers for the year in review.

Policies

In 1997, acting on the advice of the Scheme Actuary, the Trustee suspended the acceptance of individual transfer payments from members' former pension schemes, subject to annual review. At its meeting in March 2005, following further advice from the Scheme Actuary, the Trustee decided to suspend transfers-in permanently. The Trustee will only review this decision again if the Scheme Actuary so advises.

Payments made in respect of deferred pensioners who exercised their option to have a cash equivalent or transfer value paid to another pension arrangement were calculated in accordance with the provisions introduced under Section 97 of Chapter IV of Pension Schemes Act 1993 using tables supplied by the Scheme's Actuaries. Payments made during the year fully reflected the value of the accrued benefit rights in each case. Statutory changes to transfer value calculations were implemented in October 2008.

Trustee Report (continued)

The calculation of transfer payments includes allowance for the Trustee's discretion to permit early payment of a deferred pension, without reduction, in circumstances of ill-health. No other discretionary benefits that could be available are included in transfer calculations.

There are written agreements in place between the Trustee and the Actuaries, the appointed Scheme Actuary, the Auditor, the Legal Advisers, the Medical Advisers, the Investment Advisers, the Corporate Financial Advisers and, in the form of delegation documents, the Joint Investment Committee, Pensions Investment Department and the Benefits Administrators.

Data protection

The Scheme is registered under the EU General Data Protection Regulation (GDPR) from 25 May 2018, (previously the Data Protection Act 1998) to process on computer and otherwise, personal information that the Trustee or its delegates may need for Scheme management.

Scheme tax and social security status

The Scheme is a registered scheme with HM Revenue & Customs under Chapter 2 of Part 4 of Finance Act 2004.

Contributory members of the Scheme were in contracted-out employment under Section 9 (2) of Pensions Act 1993 up to 31 March 2016 during the year for the purposes of state earnings-related pension provision, under certificate numbers E3800264Y and S0224094Y.

Committees

Committees are set up for practical reasons where a number of additional meetings are required and to facilitate additional, targeted, technical training.

The members of each Committee who represent the Trustee are shown on page 2.

Audit Committee

The Audit Committee met on four occasions during the year. The Audit Committee is a joint committee consisting of a representative of the Trustees of each of BOCPS, BOC Senior Executive Pension Scheme, BOC Retirement Savings Plan and from the Administrator of BOC Pension Investment Fund (BOC Pensions Limited).

The main objectives of the Committee are to review the plan for the annual audit, review the audit results and discuss them with the Scheme Auditor, consider the letter of representation to the Auditor, review and challenge the Report and Accounts and report to the Trustee Boards on these matters. The Audit Committee formally recommends the approval of the annual report and financial statements to the Trustee.

Medical Committee

The Medical Committee met on nineteen occasions during the year. The Medical Committee exists to consider applications from members and the company for the award of medical pensions.

Governance Committee

The Governance Committee met on four occasions during the year. The Governance Committee is a joint committee with the Trustee of the BOC Senior Executive Pension Scheme.

The Committee's principal areas of focus are managing conflicts of interest, risk management, Scheme documents, Trustee Knowledge & Understanding and the Trustee's Business Plan.

Trustee Report (continued)

Joint Investment Committee

The Joint Investment Committee (JIC) met on five occasions during the year. The JIC is a corporate entity, BOC Pensions Limited, which is owned jointly by the Trustee and the Trustee of BOC Senior Executive Pension Scheme. Its Board is appointed from Directors of each Scheme.

The Trustee has delegated investment powers under the Trust Deed and Rules to the JIC which then acts as a decision-making body. The Directors of the JIC receive specific investment training. Some tasks such as preparing and maintaining the Scheme's Statement of Investment Principles remain the responsibility of the Trustee.

Scheme Governance

The Trustee requires an annual report from the Actuaries, the Auditor, the Legal Advisers, the Benefits Administrators, the Communications Consultants, the Pensions Investment Department, the Investment Managers, the Investment Advisers and the Custodian. Each report provides specified information in relation to the activities performed directly or indirectly on behalf of the Trustee in the previous Scheme year. All reports were reviewed at the Trustee's joint meeting with the Directors of the BOC Pension Scheme on 2 September 2021.

The objectives of the Governance Meeting are to increase both the transparency of the administration of the Scheme and BOC Pension Investment Fund and the accountability of the respective delegates and advisers.

The Trustee was satisfied that the Scheme continued to be managed in accordance with statutory requirements, industry best practices and its own and the Company's governance guidelines. On the basis of that review, together with written confirmation from the Scheme Legal Adviser and the Scheme Actuary that there were no issues to be raised in relation to the Scheme's governance, the Trustee was satisfied that the Scheme had also been managed to appropriate standards.

Pensions Act 1995 and Pensions Act 2004

The Trustee has a range of procedures to ensure ongoing compliance with the requirements of Pensions Act 1995, the Pensions Act 2004 and other applicable regulatory bodies.

The Pensions Regulator (TPR) is the regulatory body for work-based pension schemes in the UK. TPR has a defined set of statutory objectives and wide powers to investigate schemes and take any action it thinks necessary. As an aid to achieving its objectives, TPR requires the completion and submission of an annual scheme return by the scheme administrator. It also requires reports of 'notifiable events' and 'significant breaches' of pension scheme legislation.

Notifiable events are specific events relating to a scheme or a participating employer that TPR considers could potentially have a major impact on the security of members' benefits. The Company and the Trustee are under an obligation to advise TPR without delay of any notifiable events.

Breaches of pension scheme legislation have to be reported to TPR when they are considered to be breaches likely to be of material significance (known as red breaches). Those with a duty to report include the Trustee, the Company and the Scheme's advisers.

Red breaches are caused by: dishonesty, poor scheme governance, inadequate controls resulting in deficient administration or slow or inappropriate decision-making practices, incomplete or inaccurate advice, acting (or failing to act) in deliberate contravention of the law. An example of a red breach would be persistent failure to pay scheme contributions on time. During the year, there were no red breaches. The Trustee believes that in all respects the Scheme's administration has been in compliance with the requirements of both Acts throughout the year. The Trustee can confirm that contributions were of the amounts required and were received within the agreed timescales.

Trustee Report (continued)

Record keeping

As part of its Guidance on Internal Controls, TPR has issued Guidance on record-keeping, which sets up a framework for measuring the presence of data used in the administration of pension schemes. The aim of the Guidance is to educate and enable those responsible for member record-keeping and those who administer pension arrangements to improve the standard of record-keeping across the industry. TPR's Guidance identifies three types of data that should be measured: 'Common data', 'Conditional data' and 'Numerical data'. 'Common data' is the data that TPR considers to be applicable to all schemes and is used to identify a member, e.g. surname, forename(s)/initials, date of birth, Sex, National Insurance Number, address, postcode.

'Conditional data' is the additional data required for administration and will vary and depend on the type of scheme, scheme design, member status, system design etc. Examples of 'Conditional data' are date of leaving, benefit crystallisation event details, salary history, contributions, AVC details, active/deferred/pensioner record, date of retirement.

'Numerical data' is the additional information that will enable trustee to put the results of the data measurement into context, e.g. status, benefit category, pensioner type.

The 'clean' percentage for 'Common data' is 99.93% and 'Conditional data' is 99.86%. The 'Numerical data' requirement is largely satisfied by the membership statistics/movements reported at each Trustee meeting.

Taking account of the Scheme design, the data held is in a robust position to allow the Scheme to be administered efficiently and effectively.

Financial development of the Scheme

The financial statements set out on pages 17 to 23 have been prepared and audited in accordance with the regulations made under sections 41(1) and (6) of the Pensions Act 1995.

During the year net additions from dealing with members were £57,154k (2020: withdrawals £114,945k). Net returns on investments were £512,686k (2020: net losses of £82,189k).

As a result of all the above the net assets of the Scheme rose to £3,459,978k at 31 March 2021, an increase of £569,840k over the position at 31 March 2020.

Actuarial review

In accordance with the Trust Deed and Rules, the Scheme's Actuary carried out an actuarial valuation of the Scheme as at 31 March 2020. A summary of the Technical Provision results is shown in the table below:

	31 March 2020	31 March 2017
Assets	£2,890m	£2,978m
Liabilities	£3,163m	£3,709m
Deficit	£273m	£731m
Funding level	91%	80%

On 27 March 2020 the Trustee secured a new Linde Plc Parent Company Guarantee, which is a legally binding group-wide commitment to financially support the Scheme. This meant that there were some changes to the actuarial assumptions for the 2020 valuation, which showed a significantly improved funding position compared to 2017. This information was communicated to members in a special newsletter in June 2020.

This resulted in a new Schedule of Contributions being signed on 23 March 2021 which increased Employer contributions for Level A, Level C and Level 3 members. No deficit funding contributions were due this year. The deficit reduction contributions will be payable provided that the payment of such an additional contribution in any year would not be expected to result in a surplus using the assumptions adopted for the actuarial valuation as at 31 March 2020. Deficit funding contributions payable in future years are detailed in note 2.

Trustee Report (continued)

Since the valuation date, investment markets significantly recovered from the falls in asset values caused by the emergence of the Covid-19 pandemic which has led to a significant improvement in the Scheme's funding level since the valuation date. In his report dated 31 March 2021, the Scheme's Actuary concluded that the Scheme's assets were in surplus by £244m and that the funding level was 107.6%. The transfer of assets and liabilities from GLPS were approximately 5% of the value of the existing Scheme assets and resulted in a modest funding improvement in the Scheme.

Any Scheme member can obtain a copy of the actuarial valuation report or the schedule of contributions by contacting BOC Pension Services at the address shown on page 2.

Statement of funding principles ("SoFP")

Under requirements introduced by the Pensions Act 2004, the valuation consists of a statement of funding principles (SoFP), actuarial valuation, schedule of contributions and, if the Scheme's assets do not cover the technical provisions (the amount required to pay for the Scheme's built up pension benefits), a recovery plan. Under the SoFP, the Trustee, with advice from the Scheme Actuary and the agreement of the Company, selects the key assumptions to use in the valuation.

The Trustee agreed the valuation results and put in place a SoFP, a recovery plan and a Schedule of Contributions.

The results of the 2020 valuation were communicated to Scheme members in July 2021.

Method

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

Actuarial assumptions

Discount rate: term dependent rates set by reference to the market implied gilt yield curve (as derived from the Bank of England data) at the valuation date plus an addition of 1.6% per annum.

Retail price inflation ("RPI"): (implied inflation curve) taken as the difference between the Bank of England fixed interest and index linked yield curve at the valuation date.

Consumer price inflation ("CPI"): RPI inflation with an adjustment on yields of 0.75% below RPI spot rates.

Salary increases: Implied RPI inflation plus 0.25% per annum; and allowing for the cap on salary increases for benefit calculations where applicable. Relevant market information will be used to calculate the effect of any caps. Analysis at 31 March 2020 determined that an assumed increase of 2.5% p.a. at all durations was appropriate.

Pension increases: The assumption is made with reference to the RPI curve. The curves will be derived in a consistent manner to the underlying inflation curve making allowance for caps and floors on benefit increases. Other pensions are assumed to increase at their fixed rates.

Key demographic assumptions:

Longevity base tables	2020 VITA tables
Longevity future improvements	CMI 2018 model with a long term rate of improvement of 1.5% p.a, core smoothing parameter of $S_k=7.0$ and initial addition 'A' parameter of 0.5. No additional longevity buffer.
Pre-retirement mortality	60% of AM/AF92 tables

Trustee Report (continued)

Pension increases

The effective date for pension increases is 1 April each year. The increases during the year to pensions in payment were therefore those effected on 1 April 2020.

Increases were provided in accordance with the Scheme Rules, and statutory GMP requirements, as set out below:

Pensions Accrued to 31 March 2011:

Service Terminated	Over State Pension Age at 1/4/2020	GMP portion accrued pre 6/4/1988	GMP portion accrued post 6/4/1988	Remaining pension ϕ
Before April 1997	Yes	Nil	2.2%	2.2%
Before April 1997	No	Fixed rate*	2.2%	2.2%
From April 1997	Yes/No	2.2%**	2.2%**	2.2%**

Pension Accrued from 1 April 2011:

The lesser of the percentage increase in the General Index of Retail Prices (RPI) over the calendar year to the previous 31 December or 2.5% on a rolling five year average. The increase in RPI over the calendar year to 31 December 2019 was 2.2%. Therefore, the rolling five year average was applied. The increase payable from 1 April 2020 on pensions that had been in payment for at least a full year was:

Date pension started	2020 increase**
2 March 2011 to 1 March 2012	2.2%
2 March 2012 to 1 March 2013	2.2%
2 March 2013 to 1 March 2014	2.2%
2 March 2014 to 1 March 2015	2.2%
2 March 2015 to 1 March 2016	2.2%
2 March 2016 to 1 March 2017	2.2%
2 March 2017 to 1 March 2018	2.2%
2 March 2018 to 1 March 2019	2.2%
2 March 2019 to 1 March 2020	2.2%

* Either 8.5%, 7.5%, 7%, 6.25%, 4.75%, 4.5%, 4.0% or 3.5% per year depending on leaving date.

** For those pensioners who had been retired for less than 12 months but more than 1 month, a proportionate rate applied.

ϕ Any part of the pension that had been secured with the member's AVC Plan fund was increased on the basis notified to the member when the pension was purchased.

Increases to dependants' pensions followed a similar pattern, subject to the modifications resulting from the Statutory GMP increase requirements for widows and widowers.

The Company did not award a discretionary increase.

Trustee Report (continued)

Deferred Pensions

The GMP portion of qualifying deferred pensions was increased at 1 April 2020 by the Appropriate Fixed Rate of revaluation applicable to the leaving service date, as specified under the contracting-out regulations.

The non-GMP portion of deferred pensions is increased when the pension comes into payment. For leavers up to 31 March 2011 this increase is broadly the lower of 5% per annum compound and the movement in RPI for the period of complete years to 31 December 2010, either from 1 June 1990 or from the later date on which the member left the Scheme. The deferred pension as at 1 June 1990 had already been increased at 3% per annum compound at each 1 April since leaving date. From 1 January 2010 the measure of inflation was changed to the Consumer Prices Index (CPI).

For leavers from 6 April 2009 to 31 March 2011 deferred benefits will increase by a maximum of 2.5% per annum in respect of post-5 April 2009 service. For post-31 March 2011 leavers the maximum increase will be 5% per annum in respect of this period.

For post-31 March 2011 leavers the increase in respect of post-31 March 2011 service is the lower of 2.5% a year or the movement in RPI for the year to the previous 30 September for each complete year from the date on which the Member left the Scheme except for members who resign or are dismissed in which case the measure of inflation will be CPI.

Scheme rules

A Merger Deed dated 29 July 2020 was issued and signed by the Trustee, the Principal Employer, Capital Cranfield Trustees Limited and Gist Limited.

The deed allows GLPS to be merged into the Scheme with effect on and from the date specified in the written notice. This date was 1 October 2020.

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issue determined by the judgement arises in relation to many other defined benefit pension schemes. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. On 20 November 2020 the High Court issued a follow-on judgement, which suggested that transfer payments made since May 1990 will need to be topped up to allow for GMP equalisation. 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 consequently, have concluded that no provision is required at this time.

Trustee Report (continued)

Membership

Active	Level A	Level B	Level C	Total
At 1 April 2019	446	488	36	970
Late notifications	-	(5)	-	(5)
Deaths	(1)	-	-	(1)
Retirements	(35)	(27)	(2)	(64)
Interlevel movements	19	(19)	-	-
Leavers with retained benefits	(29)	(35)	(4)	(68)
At 31 March 2020	400	402	30	832

Deferred	Total
At 1 April 2019	6,855
Late notifications	(29)
New members	68
Transferred from GLPS	787
Deaths	(23)
Retirements	(263)
Leavers	(50)
At 31 March 2020	7,345

Pensioners	Former members	Dependants	Children's allowances	Total
At 1 April 2019	9,742	3,055	61	12,858
Late notifications	17	(2)	1	16
New pensioners	334	211	6	551
Transferred from GLPS	442	31	6	479
Deaths	(384)	(224)	-	(608)
Cessations	-	-	(11)	(11)
At 31 March 2020	10,151	3,071	63	13,285

'Late notifications' relate to adjustments to the membership in respect of the prior year after the membership reconciliation was completed.

'Transferred from GLPS' represents the deferred and pensioner members whose benefits were transferred to the Scheme as part of the merger agreement disclosed on page 3 of the Trustee Report. There were no active members in GLPS. The difference of 7 between active/deferred retirements and new pensioners comprises GLPS members that were set up as new pensioners directly in BOCPS due to the timing of the retirement.

'Cessations' comprise members who have chosen to fully commute their pension, and children ceasing full time education.

Trustee Report (continued)

Investment management

The Scheme participates in the BOC Pension Investment Fund (BOCPIF), a common investment fund, with the BOC Senior Executive Pension Scheme. The major advantage to the Scheme of investing in BOCPIF is that it benefits from the economies of scale enjoyed by the larger fund, in the form of lower transaction and administration costs. The Trustee is satisfied that the investment objectives of BOCPIF are consistent with those of the Scheme. The operation of BOCPIF is regulated by a deed. The original deed, dated 31 March 1992, was updated by deeds of variation dated 29 October 2004, 4 March 2008, 9 December 2009 and 3 May 2012.

BOCPIF comprises both commingled assets and assets which are directly attributable to the Participating Schemes. The commingled assets share the same investment funds and are apportioned between the Participating Schemes, in accordance with the terms of the deed, using a standard formula which is derived using the latest SIP as part of the investment strategy agreed by Trustees by the help of the actuaries. The formula ensures that there is no cross-subsidy between the Schemes. It is applied each month to the change in market value of the assets. The change in value is apportioned in the ratio of the interest of each participating Scheme in each of the asset classes of BOCPIF at the start of the month, adjusted to take account of any money invested or withdrawn by the Schemes during the month. The apportionment of the change in value of BOCPIF in the year to 31 March 2021 is shown in Note 7.

An Administrator Report of BOCPIF has been issued and is attached as Appendix A. The Implementation Statement is included on pages 7 to 9. As a consequence, the amount of information in this Report is reduced to avoid duplication. The Annual Report and Financial Statements of BOCPS should be read in conjunction with the Administrator Report of BOCPIF.

Signed on behalf of the Trustee on 22 October 2021

K Russell

Trustee Director

D Gowland

Trustee Director

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.

Date: 22 October 2021

K Russell

Trustee Director

D Gowland

Trustee Director

Independent Auditor's Report

Opinion

We have audited the financial statements of BOC Pension Scheme for the year ended 31 March 2021 which comprise the Fund Account, the Statement of Net Assets and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2021, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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 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 12 months from when the Scheme's annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the Financial Statements, our auditor's report thereon and our auditor's statement about contributions. The 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, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report (continued)

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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the trustees

As explained more fully in the trustee's responsibilities statement set out on page 13, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 trustees either intend to wind up 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustee.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Act 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes).
- We understood how the Scheme is complying with these legal and regulatory frameworks by making enquiries of the Trustee. We corroborated our enquiries through our review of the Trustee's meeting minutes.

Independent Auditor's Report (continued)

- We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Scheme has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. In our assessment we considered the risk of management override. Our audit procedures included testing manual journals, including segregation of duties.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustee for its awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of Trustee's minutes.
- The Scheme is required to comply with UK pensions regulations. As such the Statutory Auditor has considered the experience and expertise of the engagement team to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Scheme with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Reading
Date: 28 October 2021

Fund Account for the year ended 31 March 2021

	Notes	2021 £ '000	2020 £ '000
Contributions and benefits			
Employer contributions	2	22,220	27,372
Employee contributions	2	270	330
Transfers in	3	163,109	-
		185,599	27,702
Benefits paid or payable	4	(111,184)	(107,487)
Payments to and on account of leavers	5	(14,163)	(31,910)
Administrative expenses	6	(3,098)	(3,250)
		(128,445)	(142,647)
Net additions / (withdrawals) from dealing with members		57,154	(114,945)
Returns on investments			
Net Interest receivable on cash deposits		9	60
Share of return / (loss) in BOCPIF	7	512,677	(82,249)
Net return / (loss) on investments		512,686	(82,189)
Net increase / (decrease) in fund during the year		569,840	(197,134)
Net assets of the fund			
At 1 April		2,890,138	3,087,272
At 31 March		3,459,978	2,890,138

The notes on pages 19 to 23 form part of these financial statements.

Statement of Net Assets as at 31 March 2021

	Notes	2021 £ '000	2020 £ '000
Investment assets			
Share of BOCPIF	7	3,446,675	2,884,695
Total net investments		3,446,675	2,884,695
Current assets			
Current assets	8	18,182	10,059
Current liabilities			
Current liabilities	9	(4,879)	(4,616)
Net assets of the Fund at 31 March		3,459,978	2,890,138

The financial statements summarise the transactions and the net assets 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 other benefits that fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such liabilities, is dealt with the report on Actuarial Liabilities on pages 7 and 8, and these financial statements should be read in conjunction with them.

The notes on pages 19 to 23 form part of these financial statements.

These financial statements were approved by the Trustee on 22 October 2021

Signed on behalf of the Trustee

K Russell

Trustee Director

D Gowland

Trustee Director

Notes to the financial statements

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council, and with the guidelines set out in the Statement of Recommended Practice (SORP) May 2018 – Financial Reports of Pension Schemes. The Scheme is established as a Trust under English Law. The Scheme's address is shown in the Trustee's report.

Investments

The accounting policies for investments are dealt with in the financial statements of the BOC Pension Investment Fund (BOCPIF) attached as Appendix A to this report.

(a) Contributions

Employer and members' contributions are accounted for at the rates agreed between the Trustee and the Employer based on recommendations of the Actuary and the Schedule of Contributions.

- (i) Members' normal contributions are accounted for when deducted from pay.
- (ii) Employers' normal contributions are accounted for in the period in which the corresponding members' contributions are deducted from pay.
- (iii) Employers' contributions under Salary Exchange are accounted for in the period that exchanged employee contributions would have been deducted from earnings.
- (iv) Employers' deficit contributions are accounted on an accruals basis in accordance with the Schedule of Contributions under which they are paid.

(b) Transfers in

- i) Group transfers in are accounted for in accordance with the terms of the merger deed.

(c) Benefits

- (i) Benefits are generally accounted for in the year in which the member notifies the Trustee of their decision on the type of benefit to be taken or, if there is no member choice, on the date of retirement or leaving. For members with whom we have lost contact, benefits are accounted for on the date that we establish a contact with the member or beneficiary or, if later, the date that the relevant benefit has been identified.
- (ii) Individual transfers are accounted for when paid which is normally when the liability is discharged.

(d) Expenses

All administration expenses are accounted for on an accruals basis.

(e) Currency

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

Notes to the financial statements (continued)

2. Contributions

	2021 £ '000	2020 £ '000
<i>Employer contributions</i>		
Normal	18,450	19,910
Pension Protection Fund Levy	859	917
Augmentations	2,911	6,545
Total employer contributions	22,220	27,372
<i>Employee contributions</i>		
Normal	270	330
Total employee contributions	270	330
Total contributions	22,490	27,702

Employer normal contributions include contributions in respect of salary sacrifice arrangements.

Augmentations comprise the cost of the Gist Limited ERCC programme as disclosed in the Trustee Report on page 3.

No deficit funding contributions were due in the year. Following the signature of a new Schedule of Contributions on 23 March 2021, five annual deficit funding contributions of £15m and contributions of £2m for costs of running the Scheme are payable each year. The first payment of £17m is due no later than 31 December 2021. For information on the latest funding position please refer to the update in the Actuarial Review on page 8.

3. Transfers In

	2021 £ '000	2020 £ '000
Group transfers in from GLPS	163,109	-

Group transfers in comprises the liquidation of assets and the subsequent transfer of cash and working capital from GLPS in accordance with the merger agreement disclosed in the Trustee Report on page 3. The amount transferred on 1 October 2020 was subsequently transferred to the BOCPIF.

Individual amounts were transferred on the following dates:

Date	£ '000
01/10/2020	(161,303)
27/11/2020	(46)
01/12/2020	(5)
29/01/2021	(1,523)
06/10/2020	(116)
06/11/2020	(117)
	(163,109)

Notes to the financial statements (continued)

4. Benefits

	2021 £ '000	2020 £ '000
Pensions	94,956	91,552
Commutations and lump sum retirement benefits	19,517	18,575
AVC annuitisation	(46)	(454)
Lump sum death benefits	748	530
Disinvestments from BOCRSP-AVC Section	(3,991)	(2,716)
	111,184	107,487

Payment of retirement benefits relating to the Gist Limited ERCC programme disclosed in the Trustee Report, are included within commutation and lump sum retirement benefits.

The negative values above reflect the AVC amounts transferred to the Scheme to provide funding for all or part of the benefit payment mentioned above. AVC annuitisation comprises those members who chose to take their AVC value as pension. Further explanation of the disinvestments process from BOCRSP-AVC Section can be found in note 7 on page 22.

5. Payments to and on account of leavers

	2021 £ '000	2020 £ '000
Individual transfers to other schemes	12,969	31,674
Pension sharing orders	1,733	941
Disinvestments from BOCRSP-AVC Section	(539)	(705)
	14,163	31,910

The negative values above reflect the AVC amounts transferred to the Scheme to provide funding for all or part of the leaver payment mentioned above. Further explanation of the disinvestments process from BOCRSP-AVC Section can be found in note 7 on page 22.

6. Administrative expenses

	2021 £ '000	2020 £ '000
Administration and processing	1,454	1,137
Actuarial fees	407	443
Audit fees	97	59
Pension Protection Fund Levy	859	915
Legal and other professional fees	281	696
	3,098	3,250

Costs charged to the Scheme relate solely to the administration of the Scheme.

Notes to the financial statements (continued)

7. Investments

Investment reconciliation table

	2021 £ '000	2020 £ '000
Share of BOCPIF at 1 April	2,884,695	3,080,614
Investment	161,303	-
Withdrawals	(112,000)	(113,670)
Share of return	512,677	(82,249)
Share of BOCPIF at 31 March	3,446,675	2,884,695

The share of BOCPIF includes any directly attributable investment holdings. Further breakdown is provided in Appendix A.

Investment and withdrawals comprise the GLPS assets transfer to BOCPIF as shown in note 3 and cash withdrawn to pay benefits.

AVC Investments

Members of the Scheme may make additional voluntary contributions to a range of investment facilities, which are administered by the Trustee of BOC Retirement Savings Plan (BOCRS Plan). When a member retires, or dies, the funds accumulated within BOCRS Plan (AVC section) in respect of that member are paid to the Trustee of the Scheme to provide additional benefits for, or in respect of, that member. They may also be paid to the Scheme when a member leaves service for transfer to another approved pension scheme. These amounts are shown in notes 3 and 4 as negative amounts.

The financial statements of BOCRS Plan are not included in the financial statements of the Scheme, but are separately available. A copy of these statements can be obtained by contacting BOC Pension Services at the address shown on page 2.

8. Current assets

	2021 £ '000	2020 £ '000
Employer contributions receivable	-	30
Amounts due from other BOC pension arrangements	-	553
Cash balances	18,182	9,476
	18,182	10,059

Cash in the current account comprises two months of benefit payment funding, which is being held to reduce risk of funding short-term cash outflows.

Notes to the financial statements (continued)

9. Current liabilities

	2021	2020
	£ '000	£ '000
Benefits payable	3,232	2,259
Accrued expenses	524	1,296
Tax due to HMRC	1,114	1,055
Other creditors	6	6
Amounts due to other BOC pension arrangements	3	-
	4,879	4,616

Amounts due to other BOC pension arrangements comprise £3,467 due to BOCRS Plan. Further detail on this is disclosed in note 11 below.

10. Employer related investments

Direct employer-related investment is not permitted under the Scheme Rules.

11. Related party transactions

The following related party transactions occurred during the year.

The Scheme has received member contributions in respect of directors of the Trustee who are also Scheme members. These transactions are in accordance with the Scheme Rules.

The costs incurred by BOC Group Limited in providing Scheme administration services are rechargeable to the Scheme. Amounts paid during the year were £3,064k (2020: £1,749k).

Key management personnel includes: the independent Trustee Director, the professional Trustee Director and the retired member-nominated Trustee Directors who received total remuneration of £103,598 (2020: £91,866) during the year. The fees for key management personnel are met by the Company. The independent Trustee Director charges a combined fee for services to the Scheme, BOC Senior Executive Pension Scheme and BOC Pension Investment Fund. This total fee is included within the above remuneration.

Amounts due to other BOC pension arrangements comprise £3,467 due to Retirement Savings Plan-AVC Section for an AVC disinvestment which did not proceed as a retirement in the Scheme year.

Due to the GLPS merger (a related party) as noted on page 3 of the Trustee report, the amount shown in note 3 on page 20 was transferred into the Scheme.

12. Contingent liabilities

The Scheme had no contingent liabilities or commitments at 31 March 2021. Details of commitments of BOCPIF are set out in Appendix A.

Actuarial calculation of technical provisions

My certification of the calculation of the technical provisions is included below. I am also required to certify the adequacy of the contribution rates set out in the schedule of contributions. That certificate is appended to the contribution schedule.

Actuarial certification of the calculation of technical provisions as required by regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: BOC Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 March 2020 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the scheme and set out in the statement of funding principles dated March 2021.

Date	23 March 2021
Name	Richard Shackleton
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	One London Wall London EC2Y 5EA

Actuarial Certification of the Schedule of Contributions

Schedule of Contributions – Actuarial Certificate

Name of Scheme: BOC Pension Scheme

Adequacy of contributions

I certify that, in my opinion, the contributions shown in this Schedule of Contributions are such that the statutory funding objective on 31 March 2020 can be expected to be met by the end of the period specified in the recovery plan dated March 2021.

Consistency with statement of funding principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated March 2021.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Scheme's full liabilities with annuities if the Scheme were to wind up.

Date 23 March 2021

Name Richard Shackleton

Qualification Fellow of the Institute and Faculty of Actuaries

Name of Employer Hymans Robertson LLP

Address One London Wall, London EC2Y 5EA

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

Summary of contributions

During the year ended 31 March 2021 the contributions payable to the Scheme under the schedules of contributions were as follows:

	£ '000
Employer normal contributions	18,450
Augmentations	2,911
Pension Protection Fund Levy	859
Employee normal contributions	270
Total contributions per note 2 of the financial statements	22,490

Further details on augmentations is disclosed in note 2 on page 20.

All contributions were received by their due date as required by the Schedules of Contribution.

Signed on behalf of the Trustee on 22 October 2021

K Russell

Trustee Director

D Gowland

Trustee Director

Independent Auditor's Statement about Contributions to the Trustee of BOC Pension Scheme

We have examined the summary of contributions to the BOC Pension Scheme for the scheme year ended 31 March 2021 which is set out on page 26.

In our opinion contributions for the scheme year ended 31 March 2021 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the scheme actuary on 30 March 2020 and 23 March 2021.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 26 have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedules of contributions.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustee's Responsibilities, the scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedules of contributions.

It is our responsibility to provide a Statement about Contributions paid under the schedules of contributions 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 regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our work, for this statement, or the opinions we have formed.

Ernst & Young LLP

Statutory Auditor

Reading

Date: 28 October 2021

Appendix A BOC PIF Administrator Report

BOC Pension Investment Fund

Administrator Report

For the year ended 31 March 2021

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Directors and advisers

Administrator	BOC Pensions Limited
Directors	J Hylands (Chair) (deceased 6 August 2021) Capital Cranfield Pension Trustees Limited represented by: G Emmerson C Morton C Schlegel (appointed 1 April 2020) N Twist
Secretary	S K Kelly
Adviser	Mercer Limited
Auditor	Ernst & Young LLP
Legal adviser	Mayer Brown International LLP
Bankers	HSBC Bank Plc
Custodian	BNY Mellon Asset Servicing BV
Investment Managers	AHL Dimension (Cayman) Limited AllianceBernstein L.P. (appointed May 2020) AQR Capital Management LLC (Hedge Fund terminated August 2020) Ares Real Estate Secured Income Fund, L.P. ArrowStreet Capital, L.P. Aviva Investors UK Commercial Real Estate Senior Debt L.P. Aviva Investors Alternative Income Solutions General Partner S.A.R.L. Barings Global Advisers Limited Baillie Gifford & Co. BlackRock Investment Management UK Ltd Bridgepoint Credit Services S.A.R.L. (formerly EQT Fund Management S.A.R.L.) CBRE Global Investors (UK Funds) Limited Elementum Advisors LLC Highbridge Capital Management LLC Insight Investment Management (Global) Limited Invesco Asset Management Limited LGT Capital Partners Lynx Asset Management AB Marshall Wace Funds PLC Neuberger Berman Group L.L.C. (funded April 2020) Pharo Macro Management, Inc Prudential Global Investment Management (“PGIM”) Record Currency Management Limited Schroder Investment Management Limited Vontobel Asset Management, Inc. Wadhvani Asset Management LLP Wellington Management International Limited

Introduction

This report covers the management of BOC Pension Investment Fund (“The Fund”) for the year to 31 March 2021. The Fund is a common investment fund in which the Participating Schemes are BOC Pension Scheme (“BOCPS”) and BOC Senior Executive Pension Scheme (“SEPS”).

Throughout the year under review, BOC Pensions Limited was the Administrator of The Fund.

On 8 May 2007, the Trustees of the Participating Schemes agreed to delegate most of their investment responsibilities to a Joint Investment Committee (“JIC”). The JIC is a corporate entity, known as BOC Pensions Limited (“BOCPL”), which was transferred to the joint ownership of the Trustees of the Participating Schemes on 6 August 2007. Members of the JIC are required to be Trustee Directors of the Participating Schemes, excluding one Director who is a Director of BOCPL only. The JIC was formally constituted on 11 December 2007. The JIC also serves as the Administrator of The Fund. The JIC is supported by the Pensions Investment Department.

The operation of The Fund is regulated by a deed. The original deed, dated 31 March 1992, was updated by deeds of variation dated 29 October 2004, 4 March 2008, 9 December 2009 and 3 May 2012.

The Fund comprises both commingled assets and assets which are directly attributable to the Participating Schemes. The commingled assets are apportioned between the Participating Schemes, in accordance with the terms of the deed, using a formula derived by using the latest Statement of Investment Principles (“SIP”) as part of the investment strategy agreed by Trustees by the help of the actuaries. The formula ensures that there is no cross-subsidy between the Participating Schemes. It is applied each month to the change in market value of the assets. The change in value is apportioned in the ratio of the interest of each Participating Scheme in each of the asset classes of The Fund at the start of the month, adjusted to take account of any money invested or withdrawn by the Participating Schemes during the month. The apportionment of the change in value of The Fund in the year to 31 March 2021 is shown in Note 2 of the financial statements.

As noted in the Trustee Report on page 3 of the BOCPS Annual Report and Financial Statements, on 1 October 2020 Linde Plc, The Company, Gist Limited, the respective Trustee of the Gist Limited Pension Scheme (‘GLPS’) and BOCPS completed an agreement to merge GLPS into BOCPS. The assets of GLPS were liquidated and transferred as cash into the Fund on 1 October 2020. This amount is shown in note 2 on page 20.

Investment Report

Current regulation requires the trustees to state the following:

- How the arrangement with the investment managers incentivises the investment managers to align their investment strategies with the Trustees’ investment policies, including in relation to ESG
- How the arrangement incentivises the investment managers to make decisions based on their assessment of investee companies’ medium to long term financial and non-financial performance and engage accordingly
- How the method and time horizon for evaluating the investment manager’s performance, and the basis of their remuneration, are aligned with the Trustees’ other investment policies;
- How they define and monitor portfolio turnover (frequency of buying or selling) costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range;
- The duration of the arrangements with the investment managers

The Administrator notes that their Statement of Investment Principles sets out its policies on the employment of investment managers, monitoring performance and ESG related factors. The above points are considered at a manager level on an ongoing basis and as part of the due diligence process. The Administrator recognises that managers will exhibit short term volatility but are assessed over the long term, with managers expected to also produce ongoing cost analysis. Where managers are not able to produce information requested an assessment is made as to whether there is reason to continue with the strategy, recognising that not every strategy is compatible with some of the requirements.

Investment Report (continued)

Investment Management

Investment Principles

Each Participating Scheme has its own SIP which were last updated and adopted on 17 September 2020.

Investment Policy

Throughout the year under review, the investment policy was set by the Trustee bodies of the Participating Schemes. The Administrator was responsible for ensuring that the investment management structure and the objectives set for each Investment Manager were consistent with the investment policy set by the Trustee bodies. In addition, the Trustee requires that investment managers explain how they take ESG social, environmental and ethical considerations into account.

Relationship with Investment Managers

Investment Managers are appointed by the Administrator. As required by the Participating Schemes' Rules, all the investment management firms are independent of The BOC Group Limited. The Administrator enters into investment management agreements with each Investment Manager, setting out in detail the terms on which each portfolio is managed. Each agreement includes a detailed set of guidelines to be followed by the Investment Manager.

To the extent that the Investment Manager proposes investing in pooled funds, the JIC will ensure that the objectives and risk controls followed by these funds are consistent with those which the JIC would impose on the Investment Manager for a separately managed mandate.

Investment Management Structure

The following Investment Managers served as at 31 March 2021, managing portfolios in accordance with the mandates shown (all mandates are actively managed unless otherwise stated).

Investment Manager by asset class	Mandate
<u>Liability Driven Investment "LDI"</u>	
Insight Investment Management (Global)	BOC Pension Scheme LDI BOC Senior Executive Pension Scheme LDI
<u>Bonds</u>	
PGIM	Active Credit
Schroders	Active Credit
Neuberger Berman	Global Credit
Invesco	Syndicated Corporate Loans
Aviva Investors	Real Estate Loans
Insight Investment Management	Real Estate Loans
Ares Real Estate Secured Income Fund	Real Estate Loans
Barings	Private Corporate Loans
Bridgepoint (formerly EQT)	Private Corporate Loans
<u>Property</u>	
CBRE Global Investors	Fund of Funds
<u>Equities</u>	
AllianceBernstein	Global Equities
AQR	Global Equities
Baillie Gifford	Global Equities
Vontobel	Global Equities
Wellington	Global Equities
<u>Currency</u>	
Record Currency Management	Passive Currency

Investment Report (continued)

Alternatives

Elementum	Natural Catastrophe Reinsurance
LGT Capital Partners	Natural Catastrophe Reinsurance
AHL Dimension	Hedge Fund – Multi Strategy
Arrowstreet	Hedge Fund – Long/Short
Highbridge	Hedge Fund – Multi Strategy & Tactical Credit
Lynx	Hedge Fund – Global Macro
Marshall Wace	Hedge Fund – Long/Short
Pharo Macro	Hedge Fund – Credit
Wadwhani	Hedge Fund – Global Macro

Cash

BlackRock Investment Management UK Ltd	Money Market Fund
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The mandates given to each Investment Manager are more fully described in the latest Statement of Investment Principles of the Participating Schemes.

Custody

The Custodian is appointed by the Administrator. The Administrator believes it is essential that the assets of The Fund should be held by a Custodian with secure, accurate and timely administration systems which ensure that those assets are clearly identifiable and which minimise the risk of any loss. The Administrator has to be satisfied that the Custodian has in place systems and procedures that should safeguard The Fund's assets.

The Pensions Investment Manager reviews the annual reports on controls issued by the Custodian and by the Investment Managers and reports any issues of significance to the JIC.

The London branch of BNY Mellon Asset Servicing BV (BNYM) served as Custodian throughout the year.

Exercise of Voting Rights

The voting action is governed by the SIPS of the Participating Schemes. The Trustees of the Participating Schemes believe that proxy-voting decisions are part of the investment process to achieve the best outcome for the Schemes. Therefore, the Schemes' appointed Investment Managers have the responsibility for voting all proxies pertinent to the assets held under their management mandate. Managers are required to keep records of exercised votes and report to the JIC on request. Equity managers will provide their calendar year data on voting which the Pensions Investment Manager will report annually to the JIC.

Employer-related Investment

Legislation prohibits the trustees of most occupational pension schemes, including the Participating Schemes, from making employer-related investments in excess of 5% of scheme assets. The Rules of the Participating Schemes impose a stricter limitation by not allowing any direct investment in, or loans to, Linde plc (or, previously, The Linde Group AG, The BOC Group plc) or any Group company. Investment in property owned by, or occupied by, Linde plc (or, previously, The Linde Group AG, The BOC Group plc) or any Group company is also prohibited. The same restrictions are also imposed on The Fund.

The Administrator does permit Investment Managers to invest in pooled equity funds designed to track the performance of the relevant index, and also to deal in financial futures. Since the pooled funds may invest in Group companies, investment in such funds may result in an indirect exposure to Linde plc. Also, where Group companies form part of a particular index, investment in financial futures will result in an indirect exposure to Linde plc. Having taken legal advice, the Trustee bodies of the Participating Schemes have satisfied themselves that such indirect investment is permitted by their Rules, and that the exposure to Group companies' shares which could result would not be material to the Participating Schemes.

Investment Report (continued)

Stock-lending

The Administrator instructed the Custodian not to perform any stock-lending in the year.

Liability Driven Investment

The two Participating Schemes have separate scheme-specific liability driven investment (LDI) portfolios held in a Qualifying Investment Fund (QIF) managed by Insight Investment Management (Global) Limited. The LDI manager was set targets for matching a proportion of the interest rate and inflation sensitivity of the latest projected liability cashflows, as provided by the Actuary for each Scheme. The purpose of this approach is to hedge a proportion of the risks associated with the Schemes' exposure to movements in interest rates and inflation. The LDI manager employs a number of investment instruments to achieve the hedging strategy which includes gilts, index-linked gilts, interest rate swaps, inflation swaps, repurchase agreements and cash. These portfolios are registered in the name of The Fund.

Although the Fund invests in two separate portfolios within the QIF and therefore owns units in pooled funds, the underlying assets are closely monitored as part of review of the LDI strategy.

As at the year-end the LDI investments consisted of the following sub-funds:

	£ m	BOCPS £ m	£ m	SEPS £ m
Fixed income sub-fund				
Government bonds	431.7		19.0	
Government index linked	1,123.8		127.7	
Investment funds	206.6		12.8	
Interest rate swaps	1.2		(0.7)	
LPI & RPI swaps	-		0.7	
Repurchase agreements	(955.5)		(34.9)	
Liquidity	4.0		0.7	
		811.8		125.3
Inflation sub-fund				
RPI swaps	(54.4)		0.7	
		(54.4)		0.7
		757.4		126.0

Notes: Liquidity consists of cash, pending trades and pending FX transactions.

Investment Report (continued)

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the SIP produced by the Trustee has been followed during the year to 31 March 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018/2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

- to ensure that the Scheme's assets are sufficient to meet its liabilities to provide beneficiaries with benefits as specified in the Scheme's Trust Deed and Rules.
- by targeting an annual investment return in excess of the liability discount rate assumed in the actuarial valuation without taking undue risk.
 - The target investment return for the time being is gilt yields plus 2.2% per annum. It is expected that this target is reduced in the future depending on the funding level and market conditions.
 - The Trustee will aim to reduce risk to as a low a level as possible consistent with this return objective. The main concepts followed to achieve this are diversification of asset classes and asset liability matching.

The objectives set out above, and the risks and other factors referenced in the SIP are those that the Trustee determine to be financially material considerations in relation to the Scheme.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to manager monitoring, voting rights and stewardship.

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.

In order to establish these beliefs and produce this policy, the Trustees worked with their investment consultant to understand the potential relevant risks. These include ESG and climate-change related financially material risks arising from the Scheme's investments. The Trustee also considers the voting and stewardship activities of their investment manager to be essential in the ongoing management of these risks.

The following work was undertaken during the year to 31 March 2021 relating to the Trustee's policies on ESG factors, stewardship and climate change.

Engagement

- The Trustee requires that investment managers explain how they take ESG considerations into account. The Company Governance Committee circulated governance letters to all investment managers over the year, including questions on integration of ESG, sustainability and stewardship into their investment processes, as well as ensuring ongoing compliance with regulatory requirements. These responses were subsequently discussed at the JIC.

Investment Report (continued)

Annual Engagement Policy Implementation Statement (continued)

- Investment managers are expected to evaluate ESG factors, including climate change considerations, exercise voting rights and stewardship obligations attached to the investments in accordance with their own corporate governance policies and current best practice.
- The Trustee monitors compliance with the principles of the UK Stewardship Code. As at 31 March 2021 all of the Scheme's equity managers (4/4) confirmed that they have submitted the relevant documentation to become signatories of the 2020 UK Stewardship code.
- The Trustee asked all equity managers to provide details on their voting over the year, which were subsequently reviewed and reported on at the JIC. The Trustee also received details of relevant engagement activity for the year from the investment managers and discussed these directly with the managers during review meetings.
- For the Schemes' equity and fixed income managers, the Trustee has increasingly been incorporating ESG as a regular item on update calls, requesting details on progress made in this area from all managers. The Trustee also considered benchmarking analysis conducted by the investment consultant that compared the managers' ESG approaches to the broader universe of equivalent strategies, in order to better understand how those managers were performing.
- The Trustee has asked its investment consultant to conduct a more fundamental ongoing review of ESG, climate change and its role in the Scheme's investment strategy. To date, this work has focussed on understanding where the Scheme currently sits from an ESG perspective, establishing a baseline (with respect to ESG ratings and carbon emissions for example) and considering asset allocation changes to improve the sustainability credentials of the portfolio, whilst remaining cognisant of the fiduciary duty to members.
- As part of this review, carbon foot-printing analysis of the Scheme's global equity portfolio and investment grade credit mandate was undertaken as at 31 March 2021. The analysis included both carbon intensity (as measured by Weighted Average Carbon Intensity – "WACI") and potential emissions metrics. The key findings are set out below:
 - The current carbon intensity (WACI) of the listed equity portfolio is 69% lower than the MSCI ACWI benchmark.
 - The listed equity portfolio's future potential emissions (from exposure to fossil fuel reserves) are 79% lower than the MSCI ACWI benchmark.

Voting Activity

The Trustee believes that exercise of voting rights forms part of the investment process to achieve the best long-term outcome. Therefore this activity is delegated to investment managers. Managers are required to keep records of exercised votes and report to the JIC on request. Investment managers are expected to provide voting summary reports on a regular basis, at least annually. The reports are reviewed to ensure that they align with the Trustee's policy.

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

Over the last 12 months, the key voting activity on behalf of the Trustee was as follows:

Investment Report (continued)

Annual Engagement Policy Implementation Statement (continued)

Wellington - Global Quality Growth Equity

The voting policy of the manager has been considered by the Trustee and the Trustee deems it to be consistent with its investment beliefs.

Key votes undertaken over the prior year are summarised as below:

- There have been 1,075 votable proposals over the year, of which Wellington has voted in 1,023 of these proposals on behalf of the Trustee.
- In around 96% of these votes for proposals, Wellington has indicated their support to the companies' management, while voting against around 4% of the proposals.

Baillie Gifford - Global Alpha

The voting policy of the manager has been considered by the Trustee and the Trustee deems it to be consistent with its investment beliefs.

Key votes undertaken over the prior year are summarised as below:

- There have been 1,212 votable proposals over the year to 31 March 2021, of which Baillie Gifford has voted in 1,134 of these proposals on behalf of the Trustee.
- In around 97% of these votes for proposals, Baillie Gifford has indicated their support to the companies' management, while voting against around 3% of the proposals

Vontobel - Quality Growth Global Equity

The voting policy of the manager has been considered by the Trustee and the Trustee deems it to be consistent with its investment beliefs.

Key votes undertaken over the prior year are summarised as below:

- There have been 738 votable proposals over the year, of which Vontobel has voted in 738 of these votable proposals on behalf of the Trustee.
- In around 92% of these votes for proposals, Vontobel has indicated their support to the companies' management, while voting against around 8% of the proposals.

AllianceBernstein - Global Core Equity

- There have been 196 votable proposals over the year, of which Alliance Bernstein has voted in 196 of these votable proposals on behalf of the Trustee.
- In around 95% of these votes for proposals, Alliance Bernstein has indicated their support to the companies' management, while voting against around 5% of the proposals.

Investment Report (continued)

Market Review

Market Background

Against the backdrop of the worst global pandemic in a century and the resulting sharp bear market movements at the end of Q1 2020, the remainder of the year defied investment expectations and saw a surge in valuations across major asset classes. This was driven by massive liquidity programmes from Central Banks, government employment support measures, rapid development of Covid-19 vaccines, and supported by strong underlying economic fundamentals. Q1 2021 continued the upbeat investment sentiment amid vaccine roll-out progress and expectations regarding the reopening of economies.

Economic Growth

The UK experienced the largest fall in real Growth Domestic Product ('GDP') of the G7 compared to pre-pandemic levels (start of 2020 to end of Q1 2021) falling 8.8%, compared to Eurozone -5.1%, Japan -2.1% and the US -0.9%. While countries are targeting reopening of economies, Q1 2021 real GDP of UK -1.6%, Eurozone -0.3% and US +1.6% shows the ongoing economic impact and disparity of country recoveries.

However the advanced vaccine roll-out and early reopening of economies, particularly in the UK and US, has led to strong increases in economic forecasts, with the OECD forecasting (in May 2021) real GDP growth of 7.2% for the UK in 2021, the highest of the G7 countries, followed by US 6.9%, and a forecast for the Eurozone of 4.3%.

Monetary and fiscal policy

With market stress indicators reaching highs in March 2020, the US Federal Open Market Committee met two days earlier than scheduled in mid March 2020 to reduce the target range for the federal funds rate to near zero, and considered other intervention measures including emergency lending and asset purchases programmes. Fiscal measures subsequently adopted included supplemental unemployment insurance benefits, pandemic unemployment assistance, the Paycheck Protection Programme. The Coronavirus Aid Relief and Economic Security ('CARES') Act and other legislation was funded by US\$3 trillion (or 14.5% of pre-pandemic GDP levels). The new Administration's recent US\$1.9 trillion 'American Rescue Plan' is also expected to boost economic activity this year.

The UK Monetary Policy Committee reduced the key Bank Rate twice in March 2020 from 0.75% to 0.1%. Fiscal policies included the Coronavirus Retention Scheme, Job Retention Bonus, Job Support Scheme, Self Employment Income Support Scheme, and business grants and loans. These were aimed at minimising unemployment and business failures over the shorter term stress during lockdown.

Equities

Over the year to 31 March 2021, all key equity market indicators posted extremely strong returns, with (in GBP terms) the MSCI World +38%, MSCI Emerging Markets +42%, S&P500 +41%, and FTSE Europe ex-UK +35%. Interestingly the UK's FTSE All-Share was a lagard returning 27%.

While 2020 very high performance from Growth stocks, driven by high valuations placed on many Tech companies, there was a rotation from Growth to Value in Q1 2021.

Bonds

Government bond yields rose sharply in the US, UK and Eurozone in Q1 2021, amid the vaccine roll-out and expectations of large US stimulus measures, leading to a sizeable loss in value for the quarter and 1 year period.

Corporate bonds performed better, as the contraction in credit spreads from investor increasing risk appetite broadly offset the impact of rising interest rates.

Investment Report (continued)

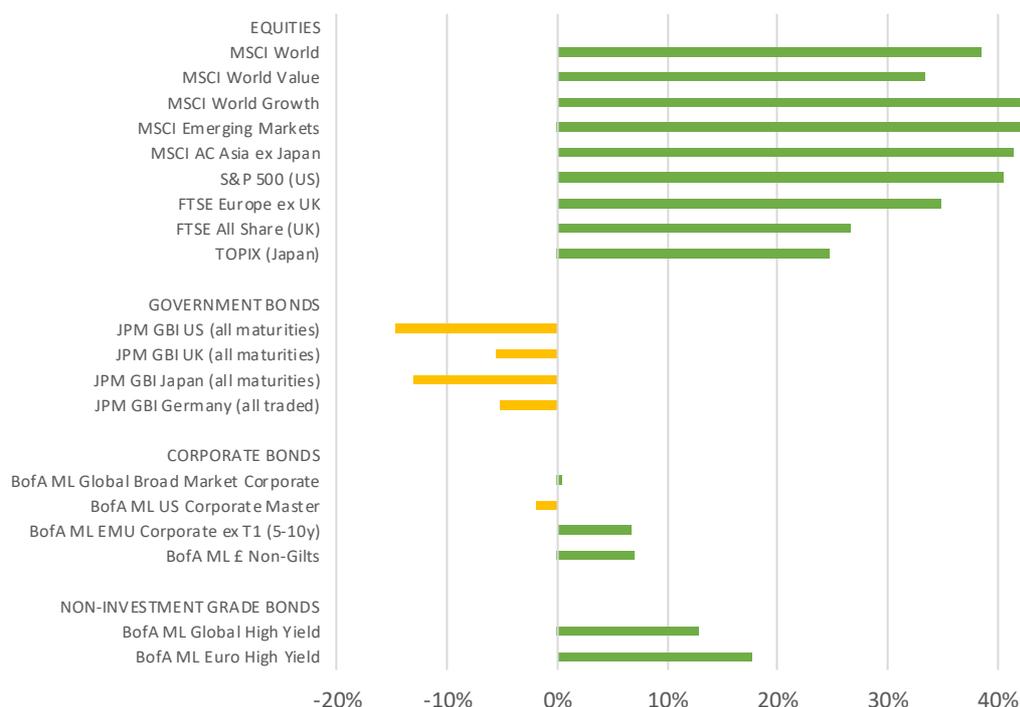
Market Review (continued)

Commodities

The S&P GSCI fell 24%, weighed down by the Energy commodities which make up 60% of the world-production-weighted index. At the other end of the commodity spectrum, precious metals such as gold and silver produced double digit positive returns. Q1 2021 saw a reversal in this trend as investors were spurred on by optimism for economic recovery.

1 Year Performance

The chart below highlights performance of various investment markets over the year to 31 March 2021 (in GBP terms):



Source: Thomson Reuters Datastream

COVID-19

The Fund has continued to engage with investment managers throughout the year regarding potential valuation, liquidity and operational issues that may have arisen as a result of COVID-19. There has been limited negative impact on performance in the Fund.

The Trustee continues to monitor the operational impact of the developments and has no significant concerns regarding the Fund’s ongoing ability to fulfil its operational or cash flow requirements, or investment managers’ ability in the appropriate management of their mandates.’

Investment Report (continued)

Fund Performance

The performance of The Fund and its Investment Managers is measured by an independent performance measurement service provided by BNY Mellon Asset Servicing BV. This service calculates investment returns for BOCPS and SEPS in The Fund, including income and changes in market value.

Investment performance, shown for the BOCPS and SEPS which comprise The Fund, for one, three and five years ended 31 March 2021 was as follows:

Total Fund	1 year		3 years pa		5 years pa	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
BOCPS	17.9%	8.3%	6.7%	3.5%	8.2%	5.9%
SEPS	8.5%	4.7%	5.0%	4.0%	6.6%	5.4%

Short-term market fluctuations can cause the absolute rate of return to vary considerably from year to year. It is important to look at the investment performance over the long-term; too much emphasis should not be placed on the absolute rate of return achieved in any one year.

This Investment Report was approved by the Administrator on 21 October 2021 and signed on its behalf by:

G Emmerson

Trustee Director

C Morton

Trustee Director

Statement of Administrator Responsibilities

The non-statutory financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Administrator. The Trust Deed requires the Administrator to make available audited non-statutory financial statements for each Fund year that:

- show a true and fair view of the financial transactions of The Fund during The Fund year and of the amounts and disposition at the year end of the assets and liabilities, and
- state whether applicable accounting standards have been followed and whether the financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Statement of Recommended Practice (SORP) May 2018 as it relates to common investment funds

In discharging the above responsibilities, the Administrator 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 Fund will not be wound up..

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

Independent Auditor's Report to the Administrator of the Fund

Opinion

We have audited the financial statements of BOC Pension Investment Fund for the year ended 31 March 2021 which comprise the Fund Account, the Statement of Net Assets and the related notes 1 to 10, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2021, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). 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 Fund 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 Administrator'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 Fund's ability to continue as a going concern for a period of 12 months from when the Fund's annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the Administrator with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report of the Administrator, other than the financial statements and our auditor's report thereon. The Administrator is responsible for the other information.

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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Administrator of the Fund (continued)

Responsibilities of the Administrator

As explained more fully in the Statement of Administrator responsibilities set out on page 13, the Administrator is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Administrator 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 Administrator is responsible for assessing the Fund'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 Administrator either intends to wind up the Fund or to cease operations, or has 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Administrator.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant related to the financial reporting framework. This is FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes).
- We understood how the Fund is complying with these legal and regulatory frameworks by making enquiries of the Administrator. We corroborated our enquiries through our review of the Administrator's directors' meeting minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. In our assessment we considered the risk of management override. Our audit procedures included testing manual journals, including segregation of duties.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Administrator for its awareness of any non-compliance of laws or regulations and review of Administrator's directors' minutes.

Independent Auditor's Report to the Administrator of the Fund (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 Fund's Administrator, as a body, in accordance with the engagement letter dated 15 October 2021. Our audit work has been undertaken so that we might state to the Fund's Administrator those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Administrator as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Reading

DATE: 28 October 2021

Fund Account for the year ended 31 March 2021

	Notes	2021 £ '000	2020 £ '000
Net investments			
BOC Pension Scheme	2	49,303	(113,670)
BOC Senior Executive Pension Scheme	2	(20,059)	(11,990)
		29,244	(125,660)
Returns on investments			
Investment income	3	44,081	43,743
Change in market value of investments	4	501,728	(118,501)
Investment management expenses	5	(8,796)	(6,922)
Net returns on investments		537,013	(81,680)
Net increase / (decrease) in Fund during the year		566,257	(207,340)
Net assets of the Fund			
At 1 April		3,144,282	3,351,622
At 31 March		3,710,539	3,144,282

The notes on pages 19 to 34 form part of these financial statements.

Statement of Net Assets as at 31 March 2021

	Notes	2021 £ '000	2020 £ '000
Investment assets	4		
Global equities		868,806	554,495
Private secured loans		921,619	728,196
Liquid alternatives		342,275	356,440
Cash instruments		48,674	40,621
Emerging market debt		266,502	234,954
Listed credit		99,544	-
Natural catastrophe reinsurance contracts		210,759	240,679
Property		9,009	13,146
Derivatives		50,264	18,654
Liability driven investments		883,227	1,023,289
Other investment balances		54,776	66,713
Cash and cash equivalents		35,221	10,072
		3,790,676	3,287,259
Investment liabilities	4		
Derivatives		(31,333)	(109,484)
Other investment balances		(45,167)	(29,434)
		(76,500)	(138,918)
Total net investments		3,714,176	3,148,341
Current liabilities	6	(3,637)	(4,059)
Net assets of the Fund at 31 March		3,710,539	3,144,282

The notes on pages 19 to 34 form part of these financial statements.

These financial statements were approved by the Administrator on 21 October 2021 and signed on its behalf by:

G Emmerson

Trustee Director

C Morton

Trustee Director

Notes to the financial statements

1. Accounting policies

Basis of preparation

The non-statutory financial statements have been prepared by the Administrator as required by the Trust Deed and summarise the transactions and net assets of the BOC Pension Investment Fund. The non-statutory financial statements have been prepared in accordance with FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland), and to the extent required with the guidelines set out in the Statement of Recommended Practice (SORP) May 2018 – Financial Reports of Pension Schemes, to the extent that they relate to common investment funds. The headings shown on the face of the net assets statement are consistent with those used as the basis for accounting and reporting investment valuations by the custodian. Further analysis is set out below.

Income and expenditure

- a) Income and expenditure, with the exception of direct commission income, are dealt with in the transactions of The Fund on an accruals basis. Direct commission income is accounted for on receipt. Investment managers are remunerated on a fee basis in accordance with the terms under which they were appointed.
- b) Dividends from quoted securities are accounted for when the security is declared ex-div.
- c) Income from overseas investments is translated into Sterling at rates of exchange ruling on the date of receipt. Income is stated net of attributable tax credits but gross of recoverable withholding taxes which are accrued with the associated investment income.
- d) Interest on swaps is included within investment income.
- e) Where income is not distributed on unit trusts/managed funds, the income arising on underlying assets is accounted for within change in market value of investments.

Currency

- f) The Scheme's functional currency and presentational currency is pounds sterling (GBP).
- g) Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.
- h) Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments

Investment assets

- i) Listed investments are valued on the basis of last traded price or bid price at the year end depending on the conventions of the stock exchange on which they are listed. Investments in pooled investment vehicles (unit trusts/managed funds) are valued at bid price or at the single quoted price. Unquoted securities are included in the financial statements at the value supplied by the investment manager. The underlying assets are valued using the guidelines of the British Venture Capital Association. Fixed interest securities are stated at the price excluding accrued interest (the "clean" price). Accrued income is accounted for within investment income.
- j) Investment costs, such as brokers' commission and stamp duty, are added to the purchase costs of investments. The costs incurred in the sales of investments are deducted from the sale proceeds.
- k) Liquid alternatives and private secured loans are valued at the net asset value as at the year end. The Administrator believes that this accounting policy equates to fair value.
- l) Natural Catastrophe Investments are valued at the net asset value as at the year end as advised by the Investment Manager. The Administrator has reviewed the pricing and valuation policy issued by the Investment Manager and believes that this accounting policy equates to fair value.
- m) Withdrawals represent monies transferred from The Fund to the two Participating Schemes. These are determined by the monthly funding requirements of each Participating Scheme. These amounts are shown as withdrawals in the Fund Account.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Derivatives

- n) Derivatives are accounted for at market value. Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date and entering into an equal and opposite contract at that date. Open positions on fixed-interest and equity financial futures contracts are included in the financial statements at market value at the year end. Purchased options with negative market values are valued at nil. Swaps are valued at fair value at the price notified by the Investment Manager. All gains and losses arising on derivative contracts are reported within the Change in Market Value of investments.
- o) The Fund enters into agreements with counterparties whenever possible to reduce its credit exposure on derivative transactions and, when appropriate, obtains collateral. The agreements provide that if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis. Collateral receipts and payments that are not beneficially owned by The Fund are not included in the net asset statement. Any interest that becomes payable or receivable arising from the agreements is recorded as interest expense or interest income respectively.
- p) Under repurchase arrangements, the Fund 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.

2. Fund apportionment

	Total Fund £ '000	BOCPS £ '000	SEPS £ '000	2020 £ '000
Apportioned fund at 31 March 2020	3,144,282	2,884,695	259,587	3,351,622
Withdrawals	(132,059)	(112,000)	(20,059)	(125,660)
Transfer in from GLPS	161,303	161,303	-	-
Share of increase/(decrease) in value of Fund	537,013	512,677	24,336	(81,680)
Apportioned fund at 31 March 2021	3,710,539	3,446,675	263,864	3,144,282

Apportionment by Participating Scheme	Total Fund £ '000	BOCPS £ '000	SEPS £ '000	2020 £ '000
Global equities	882,362	852,116	30,246	552,525
Emerging market debt	272,343	257,756	14,587	229,560
Listed credit	106,886	101,684	5,202	-
Private secured loans	928,601	865,049	63,552	731,066
Property	9,071	8,768	303	13,146
Cash	72,667	73,487	(820)	36,550
Liquid alternatives	350,427	335,559	14,868	341,587
Natural catastrophe reinsurance contracts	204,778	194,836	9,942	218,425
LDI	883,404	757,420	125,984	1,021,423
Apportioned fund at 31 March 2021	3,710,539	3,446,675	263,864	3,144,282

Derivatives, cash under management and the associated current assets and liabilities shown in the statement of net assets have been allocated to each Participating Scheme.

Detail regarding the Transfer in from GLPS is noted in the Introduction section on page 3.

Notes to the financial statements (continued)

3. Investment Income

	2021 £ '000	2020 £ '000
Income from bonds	4,050	682
Income from equities	7,844	8,608
Income from emerging market debt	14,616	14,687
Income from private secured loans	15,521	15,341
Income from natural catastrophe reinsurance contracts	1,592	2,308
Income from property	190	1,506
Net interest receivable on cash deposits	268	611
Investment income	44,081	43,743

4. Investments

Reconciliation of investments held at beginning and end of year

	Value at 1 April 2020 £ '000	Purchases at costs and derivative payments £ '000	Sales proceeds and derivative receipts £ '000	Change in market value £ '000	Value at 31 March 2021 £ '000
Global equities	554,495	873,901	(813,767)	254,177	868,806
Private secured loans	728,196	435,064	(239,883)	(1,758)	921,619
Liquid alternatives	356,440	53,092	(79,110)	11,853	342,275
Cash instruments	40,621	976,012	(965,224)	(2,735)	48,674
Emerging market debt	234,954	533,989	(496,915)	(5,526)	266,502
Listed credit	-	114,846	(7,545)	(7,757)	99,544
Natural catastrophe reinsurance contracts	240,679	121,506	(112,711)	(38,715)	210,759
Property	13,146	226	(1,687)	(2,676)	9,009
Derivatives	(90,830)	97,056	(198,083)	210,788	18,931
Liability driven investments	1,023,289	101,095	(325,000)	83,843	883,227
	3,100,990	3,306,787	(3,239,925)	501,494	3,669,346
Cash	10,072			234	35,221
Other investment balances	37,279				9,609
Total investments	3,148,341			501,728	3,714,176

Investments in liquid alternatives consist of 8 Hedge Fund investment managers.

Notes to the financial statements (continued)

4. Investments (continued)

Transaction costs

	Fees & Taxes £ '000	Commissions £ '000	2021 total £ '000	2020 total £ '000
Emerging market debt	-	2	2	1
Global equities	334	317	651	377
Listed credit	-	12	12	-
Total transaction costs	334	331	665	378

Transaction costs are included within the above purchases and sales figures. Costs are also borne by The Fund in relation to transactions in pooled investment vehicles. However, such costs and bid-offer spreads are taken into account within calculating the price of these investments and are therefore not separately identifiable.

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.

Other investment balances

	2021 £ '000	2020 £ '000
Assets		
Dividends and Interest Receivable	5,813	4,847
Outstanding settlements	46,217	59,052
VAT due from HMRC	206	17
Tax recoverable	2,540	2,797
	54,776	66,713
Liabilities		
Outstanding settlements	45,167	29,434

Notes to the financial statements (continued)

4. Investments (continued)

Allocation of investments held by manager

Investments can be further analysed by investment manager as shown below:

			2021		2020	
			£ '000	%	£ '000	%
AHL	Hedge fund	Liquid Alternatives	27,237	0.8%	29,247	0.9%
AllianceBernstein	Global equity mandate	Global equities	232,057	6.2%	-	-
AQR	Multi strategy hedge fund	Liquid Alternatives	-	-	22,559	0.7%
	Global equity mandate	Global equities	459	-	648	-
Ares	Real estate loans	Private Credit	110,535	3.0%	93,133	3.0%
Arrowstreet	Equity Long/Short fund	Liquid Alternatives	64,041	1.7%	82,059	2.6%
Aviva	Real estate bond fund	Corporate bonds	240,473	6.5%	178,346	5.7%
Barings	Private corporate loans	Private Credit	249,347	6.7%	206,891	6.6%
Baillie Gifford	Global equity mandate	Global equities	209,035	5.6%	188,442	6.0%
BlackRock	Cash fund	Other	84,101	2.3%	45,996	1.5%
Bridgepoint	Private corporate loans	Private Credit	139,009	3.7%	68,709	2.2%
CBRE Global Investors	Active property fund	Property	9,071	0.2%	13,146	0.4%
Elementum	Natural Catastrophe Reinsurance	Natural catastrophe contracts	133,324	3.6%	143,652	4.5%
	Multi strategy hedge fund	Liquid Alternatives	4,698	0.2%	10,054	0.3%
Highbridge	Credit Fund	Liquid Alternatives	89,596	2.4%	27,542	0.9%
	BOCPS LDI	Scheme LDI	703,450	18.9%	820,549	26.1%
Insight	SEPS LDI	SEPS LDI	125,962	3.4%	135,441	4.3%
	Collateral	UK Gilts	53,925	1.5%	65,368	2.1%
Invesco	Real estate loans	Private Credit	7,562	0.3%	42,102	1.3%
	Syndicated Corp Loans	Senior Secured Loans	176,874	4.8%	134,411	4.3%
LGT	Natural Catastrophe Reinsurance	Natural catastrophe contracts	71,453	1.9%	74,772	2.4%
	Hedge fund	Liquid Alternatives	30,085	0.8%	35,626	1.1%
Lynx AM	Hedge fund	Liquid Alternatives	75,370	2.0%	73,424	2.3%
Neuberger Berman	Listed credit	Corporate bonds	106,105	2.9%	-	-
PGIM	Active credit mandate	EM Corporate bonds	82,973	2.2%	77,041	2.4%
Pharo Macro	Hedge fund	Liquid Alternatives	16,199	0.4%	14,654	0.5%
Record Currency Management	Passive currency management	Currency Overlay	2,054	0.1%	1,939	0.1%
	Active credit mandate	EM Corporate bonds	188,627	5.1%	153,431	4.8%
Schroders	Active credit mandate	EM Corporate bonds	16	-	17	-
Stone Harbor	Global equity mandate	Global equities	224,507	6.0%	178,822	5.7%
Vontobel	Hedge fund	Liquid Alternatives	42,602	1.1%	46,422	1.5%
Wellington	Global equity mandate	Global equities	213,429	5.7%	183,898	5.8%
Total investments			3,714,176	100.0%	3,148,341	100.0%

Amounts in the above table include cash and other investment balances which are disclosed in note 4.

Notes to the financial statements (continued)

4. Investments (continued)

Derivative contracts

	2021	2020
Assets	£ '000	£ '000
Cleared zero coupon swaps	67	35
Cleared interest rate swaps	192	259
Credit default swaps	18	-
Interest rate swaps	13	22
Futures contracts	3,008	-
Other swaps	3,039	2,697
Total return swaps	-	11,461
Forward foreign exchange contracts	43,927	4,180
	50,264	18,654

	2021	2020
Liabilities	£ '000	£ '000
Futures contracts	12	-
Cleared zero coupon swaps	17	12
Cleared interest rate swaps	226	78
Credit default swaps	433	17
Interest rate swaps	13	55
Equity index swaps	-	13,282
Other swaps	29,434	38,319
Total return swaps	-	222
Forward foreign exchange contracts	1,198	57,499
	31,333	109,484
Net derivative contracts	18,931	(90,830)

Objectives and policies for holding derivatives

The JIC has authorised the use of derivatives by their Investment Managers as part of their investment strategy for The Fund. The use of derivatives is permitted for the efficient management of market risks or for the efficient management of strategic exposures. Derivatives are not permitted for market speculation. The main objectives for the use of key classes of derivatives and the policies followed during the year are as follows:

Swaps

As part of their LDI strategy the JIC has authorised the use of swaps by Insight Investment Management (Global) to allow better matching to the long-term liabilities of the Schemes. These are primarily held within the QIF portfolio with a range of additional swaps as set out in the table above.

Notes to the financial statements (continued)

4. Investments (continued)

Objectives and policies for holding derivatives (continued)

Options

In order to mitigate some of the risks of a large fall in equity markets the JIC may instruct Insight Investment Management (Global) to put in place equity options. These would be held within the QIF portfolios. During the accounting period, no equity options were held by the portfolio.

Futures

A number of the Investment Managers are permitted to trade futures contracts as part of their portfolio of assets. In addition, futures contracts were held as part of the management of the Strategic equity exposure during the year. The underlying economic exposure of any futures is broadly equivalent to cash offsetting.

Repurchase Agreements (Repos)

Repos are collateralised lending transactions which permit the Manager to secure cash loans to purchase additional Index Linked Gilts to better match long-term liabilities of the Schemes. The JIC has allowed the use of Repos by Insight Investment Management (Global) up to certain limits which are kept under review.

Forward foreign exchange

In order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns a proportion of the underlying investment portfolio is invested overseas. To reduce the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme is in place over a proportion of the equity holdings and over the investment in alternatives and certain types of global credit.

Swaps

Type	Expiration	Notional Principal £ '000	Asset £ '000	Liability £ '000
Cleared zero coupon swaps	1 - 6 years	(6,129,129)	67	17
Cleared interest rate swaps	1 - 11 years	5,044,143	192	226
Credit default swaps	< 1 year	2,092	18	433
Interest rate swaps	1 - 5 years	-	13	13
Other swaps	< 1 year	(796,146)	2,964	29,322
Other swaps	1 - 3 years	(4,213)	75	112
			3,329	30,123

Notes to the financial statements (continued)

4. Investments (continued)

Futures

Type	Expiration	Principal £ '000	Asset £ '000	Liability £ '000
International government bonds	< 1 year	-	-	3
Treasury futures	< 1 year	-	3,008	9
			3,008	12

Forward Foreign Exchange Contracts

Expiration	Currency bought	Currency sold	Asset £ '000	Liability £ '000	Expiration	Currency bought	Currency sold	Asset £ '000	Liability £ '000
1 - 3 months	CZK	USD	-	2	> 3 months	AUD	GBP	-	6
1 - 3 months	EUR	GBP	-	8	> 3 months	CNH	USD	-	51
1 - 3 months	EUR	JPY	4	-	> 3 months	CZK	USD	-	70
1 - 3 months	EUR	USD	-	36	> 3 months	EUR	GBP	-	156
1 - 3 months	GBP	USD	-	99	> 3 months	EUR	USD	-	6
1 - 3 months	MXN	USD	2	-	> 3 months	GBP	AUD	89	-
1 - 3 months	PLN	USD	-	29	> 3 months	GBP	CAD	4	-
1 - 3 months	RON	USD	-	2	> 3 months	GBP	CHF	14	-
1 - 3 months	TRY	USD	-	3	> 3 months	GBP	EUR	9,573	-
1 - 3 months	USD	CNH	1	-	> 3 months	GBP	HKD	-	118
1 - 3 months	USD	CZK	4	-	> 3 months	GBP	USD	33,962	-
1 - 3 months	USD	EUR	78	-	> 3 months	HUF	USD	-	33
1 - 3 months	USD	GBP	46	-	> 3 months	ILS	USD	-	3
1 - 3 months	USD	HUF	2	-	> 3 months	JPY	EUR	-	6
1 - 3 months	USD	JPY	13	-	> 3 months	JPY	USD	-	18
1 - 3 months	USD	MXN	-	4	> 3 months	MXN	USD	44	-
1 - 3 months	USD	PLN	10	-	> 3 months	PLN	USD	-	33
1 - 3 months	USD	RUB	-	1	> 3 months	RON	USD	-	24
1 - 3 months	USD	TRY	3	-	> 3 months	RUB	USD	-	44
			163	184	> 3 months	THB	USD	-	11
					> 3 months	TRY	USD	-	59
					> 3 months	USD	EUR	57	-
					> 3 months	USD	GBP	-	299
					> 3 months	USD	HUF	4	-
					> 3 months	USD	MXN	-	4
					> 3 months	USD	PLN	10	-
					> 3 months	USD	RUB	6	-
					> 3 months	USD	ZAR	-	73
					> 3 months	ZAR	USD	1	-
								43,764	1,014
TOTAL								43,927	1,198

Notes to the financial statements (continued)

4. Investments (continued)

Investment Fair Value Hierarchy

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

- Level 1 – the unadjusted quoted price in an active market for an identical asset or liability 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

The Funds net investment assets and liabilities disclosed on page 18 have been fair valued using the above hierarchy categories as follows:

2021	Level 1 £ '000	Level 2 £ '000	Level 3 £ '000	Total £ '000
Global equities	868,806	-	-	868,806
Private secured loans	-	-	921,619	921,619
Liquid alternatives	-	-	342,275	342,275
Cash instruments	48,674	-	-	48,674
Emerging market debt	-	266,502	-	266,502
Listed credit	-	99,544	-	99,544
Natural catastrophe reinsurance contracts	-	-	210,759	210,759
Property	-	-	9,009	9,009
Derivatives	-	18,931	-	18,931
Liability driven investments	-	883,227	-	883,227
Cash	35,221	-	-	35,221
Other investment balances	9,609	-	-	9,609
Total investments	962,310	1,268,204	1,483,662	3,714,176
2020	Level 1 £ '000	Level 2 £ '000	Level 3 £ '000	Total £ '000
Global equities	554,495	-	-	554,495
Private secured loans	-	-	728,196	728,196
Liquid alternatives	-	-	356,440	356,440
Cash instruments	40,621	-	-	40,621
Emerging market debt	-	234,954	-	234,954
Natural catastrophe reinsurance contracts	-	-	240,679	240,679
Property	-	-	13,146	13,146
Derivatives	-	(90,830)	-	(90,830)
Liability driven investments	-	1,023,289	-	1,023,289
Cash	10,072	-	-	10,072
Other investment balances	37,279	-	-	37,279
Total investments	642,467	1,167,413	1,338,461	3,148,341

Notes to the financial statements (continued)

4. Investments (continued)

Valuation methods

Bonds and emerging market debt

The Fund invests in developed and emerging market corporate and sovereign bonds. In the absence of a quoted price in an active market they are valued on a 'clean' basis which excludes accrued interest using observable market data such as recently executed transaction prices of securities of the issuer or comparable issuers. The Fund categorises these investments as level 2.

Global Equities

Directly-held global equities are normally quoted at bid prices which are readily available and regularly occurring in active markets from relevant securities exchanges. The Fund categorises these investments as Level 1.

Property, liquid alternatives and loans

The Fund invests in pooled investment vehicles including property, hedge funds and real estate loans. The pooled investment vehicles which are traded regularly are included at Level 2 of the fair value hierarchy. The prices are published by the pooled investment vehicle manager at bid price on a daily or weekly basis.

Unquoted pooled investment vehicles using net asset values are valued by the pooled investment vehicle manager using fair value principals to value the underlying investments of the pooled arrangement. These investments which are subject to certain redemption notice periods and are not traded. The Fund categorises these investments as Level 3.

Property funds are closed ended and are valued as level 3 as per SORP guidance.

Natural catastrophe reinsurance investments

Natural catastrophe reinsurance investments comprise contract and bonds which are valued on an average of all independent broker-dealer bids (if long) or a price provided by an independent broker-dealer if short. Broker-dealers base their prices on a mixture of observable input, comparable trades and estimates. The bonds are either priced weekly or monthly. These investments are subject to certain redemption notice periods and are not publicly traded regularly. The Fund categorises these investments as Level 3.

Derivatives

The Fund uses widely recognised valuation models for determining fair values of OTC interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. Repurchase agreements are priced at Par. For these financial instruments, significant inputs into models are market observable and are included within Level 2 of the fair value hierarchy.

Liability driven investments

The LDI comprises bonds and derivatives for which valuation methods are disclosed above.

Notes to the financial statements (continued)

4. Investments (continued)

Concentration of investments

The following assets were held at 31 March 2021:

Asset	Concentration	2021	Concentration	2020
		£ '000		£ '000
Barings	6.60%	244,799	6.76%	212,646
Aviva CRE	5.32%	197,574	3.78%	119,161

5. Investment management expenses

	2021	2020
	£ '000	£ '000
Administration, management and custody	8,146	6,338
Other advisory fees	568	502
Performance measurement services	82	82
	8,796	6,922

Other advisory fees comprise amounts for in-house investment services and advice supplied by Mercer Limited.

6. Current liabilities

	2021	2020
	£ '000	£ '000
Accrued expenses	3,637	4,059

Accrued expenses comprise investment management fees payable at the year end.

7. Investment objectives, strategy and risk

Investment Strategy

The Administrator, whom has delegated authority from the Participating Schemes' Trustees, is responsible for determining The Fund's investment strategies, which are set after taking appropriate advice. Subject to complying with the agreed strategies, which specify the target proportions of The Fund which should be invested in the principal market sectors, the day-to-day management of the asset portfolios, is the responsibility of the Investment Managers.

The Administrator's objective is to invest the assets in the best interest of the members and beneficiaries. Within this framework the Administrator has agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which The Fund is exposed.

Notes to the financial statements (continued)

7. Investment objectives, strategy and risk (continued)

The Funds' strategic asset allocation is set out by the Participating Schemes below:

Asset Class	BOCPS Strategic Exposure	SEPS Strategic Exposure
Global Equity	25.0%	10.0%
Emerging Market Debt & Listed Credit	8.0%	5.0%
Private Debt	30.0%	25.0%
Liquid Alternatives & Insurance-Linked Securities	15.0%	8.0%
Return Seeking Assets	78.0%	48.0%
LDI	20.0%	50.0%
Cash	2.0%	2.0%
Matching Assets	22.0%	52.0%
Total	100.0%	100.0%

The Administrator has the responsibility for deciding The Fund's underlying asset allocation and selecting and monitoring the specific investment managers.

Investment Policy

Overall investment policy falls into two parts. The strategic management of members' assets is fundamentally the responsibility of the Administrator acting on advice from their investment consultant, Mercer Limited, and is driven by their investment objectives as set out in the Statement of Investment Principles ("SIP"). The remaining elements of policy are part of the day-to-day management of the assets which are delegated to professional investment managers. Decisions on appointment and retention of investment managers are taken by the Administrator on advice from their investment consultant.

Risk

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

1. **Credit risk:** the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
2. **Market risk:** the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.
 - **Currency risk:** the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
 - **Interest rate risk:** the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
 - **Other price risk:** the risk that the fair value or future cash flows of a financial instrument 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 financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Notes to the financial statements (continued)

7. Investment objectives, strategy and risk (continued)

The Fund has exposure to the above risks because of the investments it makes to implement the investment strategies. The Administrator manages the investment risks through a strategic asset allocation which is set taking into account the strategic investment objectives. The investment objectives and risk limits are implemented through the investment management agreements in place with The Fund's Investment Managers and monitored by the Administrator through regular reviews of the investment portfolios. The investment objectives and risk limits of The Fund is further detailed in the SIPs.

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

	Credit risk	Market risk			2021	2020
		Currency	Interest rate	Other price	£ '000	£ '000
Global equities (Direct)	□	■	□	■	878,438	549,971
Emerging market debt (Direct)	■	■	■	□	268,892	230,065
Listed credit (Direct)	■	■	■	□	105,008	-
Senior loans (Direct)	■	□	■	■	190,257	139,054
Private corporate loans (Direct)	■	□	■	■	388,356	275,599
Commercial real estate ("CRE") loans (Direct)	■	□	■	■	118,097	120,314
Commercial real estate ("CRE") loans (Indirect)	■	□	■	■	240,474	178,347
Insurance-linked securities ("ILS") (Direct)	■	□	■	■	189,086	195,769
Liability Driven Investment ("LDI") (Direct)	■	□	■	□	883,227	1,021,247
Hedge Funds (Indirect)	■	■	■	■	349,827	341,587
Property (Indirect)	■	□	□	■	9,009	13,146
Cash * (Direct)	■	□	■	□	48,674	35,892
Total					3,669,346	3,100,990

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

* denotes cash held within the BlackRock portfolio

In the above table, the risk noted affects the asset class [■] significantly, [■] partially or [□] hardly/not at all.

Note: Cash and other investment balances disclosed in note 4 on page 17 are excluded from the above table.

Notes to the financial statements (continued)

7. Investment objectives, strategy and risk (continued)

1. Credit Risk

The Fund is subject to direct credit risk through the holdings in Emerging Market Debt, Senior and CRE Loans, LDI, Investment Grade Corporate Bonds, Residential Mortgage Backed Securities ('RMBS') and cash mandates. In addition, The Fund is subject to indirect credit risk through the pooled Hedge Fund and Property mandates.

- The Fund has exposure to investment grade and non-investment grade assets within the listed credit and emerging market debt, senior corporate and CRE loan portfolios. The credit risk of these portfolios is mitigated by holding a diversified portfolio of underlying assets that minimises the impact of a particular issuer defaulting on its obligations. The Administrator invests in non-investment grade assets with a view to adding value over that which is available with investment grade assets.

The table below provides a breakdown of the average credit quality of each underlying portfolio as at 31 March 2021:

£ '000					
Asset Class	AAA	AA	A	BBB	BB or below
Emerging Market Debt	-	-	-	268,892	-
Listed Credit	-	-	-	105,008	-
Senior Loans	-	-	-	-	190,257
CRE Loans	-	-	-	7,562	-
LDI	-	883,227	-	-	-
Cash *	48,674	-	-	-	-

* denotes cash held within the BlackRock portfolio only

- OTC derivative contracts within the LDI portfolio are not guaranteed by any regulated exchange and therefore The Fund is subject to risk of failure of the counterparty. The credit risk for OTC swaps and repurchase agreements is reduced through collateral arrangements in place with the investment managers. The Fund's exposure to repurchase agreements as at 31 March 2021 was £990.4m (2020: £659.7m), and collateral was valued at £54.0m (2020: £65.4m).
- Credit risk arising on cash held within the trustee bank accounts is mitigated by ensuring cash is held with institutions which are at least investment grade credit rated. The cash balances are minimised and are intended only to meet the ongoing costs of the Participating Schemes (for example, member benefit payments and administration expenses).

The credit risk associated with cash and government bonds is expected to be minimal.

Pooled investment arrangements

The pooled investment arrangements used by The Fund comprise unit-linked insurance contracts and authorised unit trusts. The Fund's holdings in pooled investment vehicles are not rated by credit rating agencies. The Administrator manages and monitors the credit risk arising from their pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

Credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled manager operates and diversification of investments amongst a number of pooled arrangements. Cash held by the pooled manager's custodian is not ring-fenced but the credit risk arising on this is mitigated through the use of regular cash sweeps (typically daily) and investing cash in liquidity funds.

Notes to the financial statements (continued)

7. Investment objectives, strategy and risk (continued)

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

Some of The Fund's pooled arrangements invest in other pooled arrangements, for example, the investment in Property. The Administrator has considered the impact of these arrangements in relation to The Fund's exposure to failure by the sub-funds who may have different regulatory protections compared to the pooled investment made directly by The Fund and believes that the indirect credit risk arising from these sub-funds is appropriate due to the potential reward.

2. Market Risk

Market risk comprises three types of risk:

a) Currency Risk

The Fund is subject to direct currency risk because some of The Fund's investments are held in overseas markets or are dominated/priced in a foreign currency (i.e. a currency other than sterling) and not hedged back to sterling. The Fund's foreign currency exposure comes from the holdings in global and emerging market equities and emerging market debt.

The Administrator seeks to hedge part of The Fund's overseas developed market equity exposure against currency movements. Developed equity exposure is hedged back to sterling using forward contracts on the US dollar (50%), euro (60%) and Hong Kong dollar (50%).

The direct currency risk arising from the emerging market debt and emerging market equity allocation is left unhedged as the Administrator believes that these currencies can be expected to appreciate relative to sterling over the long term.

The investment managers have discretion to take currency positions within the Hedge Fund mandates, although these positions are generally held for short periods in order to generate returns or hedge portfolios and are not necessarily strategic in nature.

b) Interest Rate Risk

The Fund is subject to direct interest rate risk through the investments in emerging market debt, senior and CRE loans, investment grade corporate bonds, RMBS, ILS and cash mandates. In practice the interest risk from the cash holdings is minimal, as it is mitigated by holding short duration money market instruments.

The Administrator has LDI mandates in place for both Participating Schemes, with the objective of hedging the interest rate risk. Over time, the Administrator may decide to decrease the level of interest rate exposure with a view to adding value. Under these strategies, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Notes to the financial statements (continued)

7. Investment objectives, strategy and risk (continued)

c) Other Price Risk

Other price risk arises principally in relation to The Fund's return-seeking assets which include equities, emerging market bonds, Senior and CRE Loans, RMBS, ILS, Hedge Funds and Property.

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

8. Employer related investments

There were no directly held employer-related investments at any time during the year. Further information about The Fund's policy on employer related investments is disclosed on page 5. Assets invested in pooled vehicles may from time to time may make an "employer related investment", however in the context of the size of the Fund's assets it is unlikely that this will be material.

9. Related party transactions

The following related party transactions occurred during the year.

The costs incurred by BOC Group Limited in providing services for payment of Scheme investment administration fees are rechargeable to The Fund. Amounts charged during the year were £3.2m (2020: £2.1m) and are included in note 5.

As noted on page 3 of this report, GLPS (a related party) was merged into BOCPS in October 2020. The amount shown in note 2 on page 20 as 'Transfer in from GLPS' was subsequently transferred into the Fund.

10. Contingent liabilities

Capital commitments at 31 March 2021 are shown in the table below:

	Currency	2021 '000	2020 '000
Barings	USD	71,009	106,009
Bridgepoint	EUR	78,878	124,878
Ares	USD	-	4,143
Aviva Investors UK	GBP	31,574	111,862