BG PENSION SCHEME

(Scheme Registration Number 10254985)

ANNUAL REPORT FOR THE YEAR ENDED

31 MARCH 2023

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Chairman's Report 2023

Funding

The triennial valuation of the Scheme has been undertaken with the assistance of the Scheme Actuary, looking at both the assets and expected liabilities, to gauge if there are sufficient assets (or expected contributions) to ensure that all pensions will be paid on time and in full through the life of the Scheme. Measured on an on-going basis (called the 'Technical Provisions') the actuary calculates that the Scheme is fully funded. As these accounts are signed we do not have the final results of the valuation, but we expect them to confirm that the Scheme is fully funded on a statutory basis.

The long-term objective of self-sufficiency was set at the time of the closure to accrual in 2013 and is designed to give a high level of confidence that the Scheme can operate independently of the sponsor, with a very low risk investment strategy, in the absence of any dramatic exogenous shock such as a sudden increase in life expectancy.

Investments

As we have moved towards full funding, we have steadily been removing risk from the investment portfolio, as progressively less return in excess of our 'risk-free' measure of the pension liabilities has been needed to bring us to our goals. During the past year we have continued to run off some of the more illiquid assets, including property and insurance-related securities, and also reduced holdings of high quality credit, in favour of government bonds. This has allowed us to achieve an even closer 'match' between the assets we hold and our pension obligations. The next steps for the longer term will be to find the best way to 'lock in' this level of security for members' benefits against possible future shocks.

Climate Change Report

An important investment-related activity for your trustees over the past year has been the production of our first Climate Change Report about how we take climate change risks and opportunities into account when making investment decisions. We are required to undertake analysis and set objectives which are consistent with the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD).

Martin Jones

Chairman of Trustee, BG Pension Scheme

The Trustee's Report

Introduction

This report relates to the operation of the BG Pension Scheme (the "Scheme") during the year ended 31 March 2023.

The Scheme is a defined benefit occupational pension scheme and provides benefits for former employees of BG Group Limited (formerly BG Group plc) and its subsidiary companies in the United Kingdom. The Scheme is established under Trust and the Trustee is ultimately responsible for the running of the Scheme.

The Scheme was established under Trust by the Trust Deed and Rules dated 4 July 2001.

Full details of the Scheme's benefits can be found in the member's explanatory booklet (see "Contact for further information" on page 5).

Management of the Scheme

The Scheme has a corporate Trustee, BG Group Pension Trustees Limited. The names of the directors who served during the year and those serving at the date of approval of this report are as follows:

Name	Nominated/appointed by	Appointed/resigned
Martin Jones – representing Capital Cranfield Pension Trustees Limited (Chairman)	Employer	
Tsira Kemularia	Employer	
Hector Rosales-Macedo	Members	Resigned 1 November 2022
Kenneth Lynch	Members	
Jonathan Peachey	Members	
Sinead Lynch	Employer	
Haydn Jones	Employer	Appointed 1 April 2022
Stephen Wheeler	Members	Appointed 1 November 2022

The Scheme Rules contain provisions for the appointment and removal of Trustee Directors.

Three of the seven Trustee Directors are elected by members of the Scheme.

Three other Trustee Directors are appointed by the Employer. Company Nominated Directors (CNDs) may cease to be Trustee Directors by resigning from the position or by removal by the Employer. The final Trustee Director is a professional Independent Chairman of the Trustee who is appointed / removed by the Employer.

The Trustee is responsible for the management of the Scheme. Meetings of the Trustee Directors are held at least quarterly, and resolutions are passed by majority but there is no casting vote for the Chairman and any two Member Directors or Company Nominated Directors may veto any decision.

The Trustee believes good pension scheme governance is of the utmost importance and has processes in place to ensure the Scheme is managed to very high standards.

The Trustee's Report (Cont)

Management of the Scheme (Cont)

The Trustee regards internal controls as an ongoing process and considers matters of governance and risk management at each quarterly Trustee meeting.

The Trustee Directors receive regular training to ensure their knowledge and understanding of pensions issues in general and Scheme matters in particular is kept up to date.

The Trustee has delegated the day-to-day management and operation of the Scheme's affairs to professional organisations.

The Sponsoring Employer

The name and address of the Sponsoring Employer is as follows:

BG Group Limited
Shell Centre
2 York Road
London
SE1 7NA

Participating Employers

BG Energy Holdings Limited

BG International Limited

Scheme Audit

The financial statements on pages 21 to 34 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Tax status of the Scheme

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and, to the Trustee's knowledge, there is no reason why the Scheme's registered status should be prejudiced or withdrawn.

The Trustee's Report (Cont)

Scheme advisers

The Trustee retains a number of professional advisers in connection with the operation of the Scheme. The advisers currently appointed are as follows:

Scheme Actuary	Martin Bell, WTW
Independent Auditor	Crowe U.K. LLP
Investment Managers	CB Richard Ellis Investors ("CBRE")
	Henderson Investment Management Limited ("Henderson")
	Insight Investment ("Insight")
	M&G Investment Management Limited ("M&G")
	SCOR Investment Partners ("SCOR")
	TwentyFour Asset Management ("24")
	Wellington Management Company LLP ("Wellington")
Investment Consulting Advisers	Shell Asset Management Company B.V.
	Hymans Robertson LLP
Investment Custodian	The Northern Trust Company
AC Manager	Aegon
Legal Advisers	Mayer Brown International LLP
	Shell International Limited
Administrator of the Scheme benefits	Barnett Waddingham LLP
Bankers	The Royal Bank of Scotland
Secretary to the Trustee	Gareth Soanes (from 1 April 2022 until 31 May 2022)
	Rachael MacPherson (from 1 June 2022)

Changes in and other matters relating to Scheme advisers

Other than the changes noted above, there have been no changes to Scheme advisers and other matters during the Scheme year under review.

Financial development of the Scheme

During the year the value of the net assets fell by £647,557,000 to £1,444,959,000 as at 31 March 2023. The decline comprised net withdrawals from dealings with members of £48,993,000 together with a net fall in the value of investment assets of £598,564,000. Broadly speaking the value of the actuarial liabilities fell by a similar amount.

The Trustee's Report (Cont)

Market volatility

On 23 September 2022, announcements made in the Government's "mini-budget" led to uncertainty in the long-dated UK government bond ("gilt") market, inducing a sharp fall in prices. The Bank of England eventually intervened in the market in order to "restore orderly market conditions". This significantly affected the valuation of LDI assets held by pension schemes. The main reason for investing in such assets is to hedge a pension scheme's exposure to interest rates and inflation. In order to hedge the actuarial interest rate and inflation exposure of the Scheme's liabilities, positions are taken that require collateral to be available to back those positions with counterparties, if they become negative in value. As gilt prices fell the value of pension scheme positions fell and there were calls for collateral. In addition, the increased volatility in 2022 required additional cash to be available to ensure that the positions were maintained. The Trustee moved significant amounts between liquidity funds, the segregated LDI mandate and return seeking portfolios. As a result, the Trustee was able to manage the cash calls to maintain the positions and maintain its hedging programme.

Going concern

The Trustee continues to monitor the operation of the Scheme and currently has no significant concerns regarding the Scheme's ongoing ability to fulfil its operational, cashflow and benefit payment requirements, or to respond to critical communications from its members.

The Trustee monitors the strength of the Sponsor on an ongoing basis and has assessed the ability of the Company to support the Scheme for the 12 months after the date that the report and accounts are signed. As part of the assessment, the Trustee considered the strength of the Company balance sheet.

The Trustee monitors the Company on the availability of a capped £1 billion corporate guarantee provided by Shell Petroleum N.V. which provides a promise to pay if a Participating Employer fails to pay an amount due in respect of its obligation to the Scheme. The capped guarantee is effective until 2029, when a reduced guarantee is available until 2034.

Having had due consideration of the above and having discussed with relevant parties, the Trustee considers that the Scheme remains a going concern for the foreseeable future.

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The Trustee is aware that this will affect the Scheme, has set up a subgroup to consider how best to deal the issue and progress updates are provided to the Trustee. Since no detailed evaluation of any potential liability has been completed to date, it is not possible to recognise a liability in the financial statements. Any such liability will be reflected in future accounts when the quantum of any liability, should one arise, can be reliably estimated. It is not expected to be significant in the context of Scheme funding.

On 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgment arise in relation to many other defined benefit pension schemes. Any adjustments necessary will be recognised in the financial statements in future years.

The Trustee's Report (Cont)

Scheme membership

	Number as at start of year	Changes in year	Number as at end of year
Preserved pensioners	957		
died		(1)	
transferred out		(10)	
retired		(40)	
		(51)	906
Pensioners and dependants	951		
new pensioners		40	
new dependants		6	
pensions ceased		(3)	
died		(7)	
		36	987
Total members	1,908		1,893

The member numbers shown above reflect the number of member records held by the Scheme.

Pension increases

Pensions in payment from the Scheme are reviewed in April each year and normally increase in line with inflation as measured by the Retail Prices Index (RPI). The five pension increases awarded up to and including April 2023 were as follows:

April 2023	April 2022	April 2021	April 2020	April 2019
12.6%	4.9%	1.1%	2.4%	3.3%

No discretionary increases were applied during the year.

Members who elected to receive increases to their deferred pensions that were restricted to the lower of the Consumer Prices Index (CPI) and RPI, received an increase in line with CPI of 10.1%. This was to prevent their protected Lifetime Allowance status being lost because of the standard increases that would otherwise be applied.

Transfer values

All cash equivalents (transfer values) paid during the year were calculated and verified in the manner required by the Pension Schemes Act 1993 and subsequent amendments.

No discretionary benefits are included in the calculation of transfer values.

A cash equivalent is the amount which a Scheme member is entitled under social security legislation to have applied as a transfer payment to another permitted pension arrangement or a buy-out policy.

Climate Change Report

The Trustee has published its 2023 Climate Change Report which is available to download at https://pensions.shell.co.uk/bg-pension-scheme.html. The report follows the framework set out by the Taskforce for Climate-related Financial Disclosure. It covers the Trustee's assessment of the potential impact of climate-related financial risk on the Scheme and how the Trustee is responding to and managing this risk.

The Trustee's Report (Cont)

Contact for further information

If, as a Scheme member, you wish to obtain further information about the Scheme, including copies of the Scheme documentation, your own pension position, or who to contact in the event of a problem or complaint, please write to or telephone:

BG Pension Scheme
Barnett Waddingham LLP
Decimal Place
Chiltern Avenue
Amersham
HP6 5FG

Tel: 0800 004 2009 or 0333 1111 222

Alternatively, you can contact the Scheme administrators online at:

https://logon.bwebstream.com/shared/contact

or email: BGPS@Barnett-Waddingham.co.uk

The Trustee's Report (Cont)

Statement of Trustee's Responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension Scheme regulations require, 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 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 judgements 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.

Trustee's responsibilities in respect of contributions

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 dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions 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.

The Trustee's Report (Cont)

Report on Actuarial Liabilities

The most recent actuarial valuation of the Scheme, performed by Martin Bell of Willis Towers Watson, was completed as at 31 March 2020 (the valuation date) and the Actuary's report was published on 14 December 2020. This is the fifth valuation of the Scheme carried out under the Pensions Act 2004 and used the Partly Projected Unit Method.

Following discussions with the Employer and the Actuary, the Trustee has determined and agreed with the Employer the assumptions used to calculate the "technical provisions". This is the amount needed to be held by the Scheme to provide for benefits that will be paid from the Scheme in the future, reflecting the funding objective agreed between the Trustee and the Employer. It is based on Pensionable Service to the valuation date and assumptions about the various factors that will influence the Scheme in the future, such as the levels of investment returns and pay increases, when members will retire and how long members will live.

Assumptions

The technical provisions are calculated on the following key assumptions (please note that as the financial assumptions have been derived using term dependent assumptions using yield curves, single equivalent rates have been shown for ease of comparison. Further details can be found in the Statement of Funding Principles):

Principal actuarial assumptions for valuation as at 31 March 2020	
Discount rate	0.95% pa
Rate of salary increases	3.9% pa
Price inflation	2.7% pa RPI, 1.7% pa CPI
Rate of deferred pension increases	2.8% pa
Rate of pension increases	2.6% pa non GMP, 1.9% pa Post 88 GMP and 0% pa Pre 88 GMP
Post retirement mortality – current and future pensioners	90% of the "SAPS S3 Male (amounts) All Pensioners Light" and 85% of the "SAPS S3 Female (amounts) All Pensioners Light" series using the CMI core projection model (2019 version) with a long-term rate of improvement of 1.5% pa to the valuation and thereafter, initial addition of 0.5% pa to the valuation date and 0.75% pa thereafter

The Trustee's Report (Cont)

Report on Actuarial Liabilities (Cont)

A summary of the funding position at the valuation date is as follows:

31 March 2020	
Market value of assets	£1,974 million
Technical provisions	£2,081 million
Past service deficit	£107 million
Funding ratio	95%

The previous valuation was carried out as at 31 March 2017 and showed a funding ratio of 89%. Better than expected investment returns over the inter-valuation period, in addition to the deficit contribution paid have contributed to the increase in the funding level. However, these have been partially offset by the changes in market conditions and financial assumptions.

An update to the full valuation at 2020 was completed with an effective date of 31 March 2022. This showed that, at that date, the Scheme had assets of £2,093m and technical provisions of £2,103m corresponding to an updated funding level of 99.5%.

A schedule of contributions reflecting the contributions agreed following the 31 March 2020 actuarial valuation with effect from 1 April 2020 has been adopted by the Trustee and the Employer as shown on page 39. The actuary's certification of this schedule is shown on page 38.

The Trustee and the Employer have agreed that no further contributions will be paid to the Scheme before 30 June 2028, as it is expected, based on the results of the actuarial valuation at 31 March 2020, that the shortfall will be eliminated by that time, by investment returns of 0.75% pa in excess of those anticipated.

Based on the assumptions underlying the calculation of the Scheme's technical provisions as 31 March 2020, the funding level is expected to broadly uniformly increase to 100% the end of the recovery period.

The next actuarial valuation date is 31 March 2023.

The financial statements on pages 21 to 34 do not take into account liabilities which fall due after the year end. As part of the triennial valuation, the Scheme Actuary considers the funding position of the Scheme and the level of contributions payable.

The Trustee's Report (Cont)

Investment managers

The Scheme's assets were divided between seven investment managers as at 31 March 2023. The assets are managed by CBRE, who manage active unlisted property fund of funds; an emerging market debt manager, Wellington Management (Wellington); an asset backed securities manager, TwentyFour Asset Management (24); Henderson Investment Management (Henderson), M&G Investment Management (M&G), Insight Investments (Insight) and SCOR Investment Partners (SCOR) who all manage active alternative credit mandates; M&G also manage an active investment grade corporate bond mandate and Insight, who manage an active Liability Driven Investment mandate and currency hedge overlay.

M&G run a diverse portfolio consisting of various alternative credit assets such as senior secured loans, asset backed securities and high yield bonds. The manager targets absolute returns over cash of 5% p.a. over the longer term. M&G also runs an actively managed investment grade GBP corporate bond mandate for the Scheme. SCOR runs an insurance-linked securities mandate and invests in catastrophe bonds and over the counter insurance-linked contracts. These investments generate returns following the occurrence or non-occurrence of given events or circumstances such as natural catastrophes, man-made catastrophes and other insurable events. In general, SCOR's ILS mandate will take risks which, taken as a whole, are diversified in terms of underlying risk and geographical spread.

Wellington Management manage a local currency emerging market debt mandate, investing in sovereign and quasi-sovereign government bonds issued in each country's own currency. In addition to providing diversification by asset class, emerging market debt offers diversification from developed markets more generally, which tend to be the primary focus of even very highly diversified asset portfolios. The fund's benchmark target is the J.P. Morgan GBI-EM Global Diversified index.

TwentyFour run a diversified portfolio consisting of European and Australian asset-backed securities (ABS) with minimum credit rating of BBB-. The mandate hedges non-sterling currency exposure back to GBP and does not use leverage. The aim of the fund is to provide an attractive level of income relative to prevailing interest rates whilst maintaining a strong focus on capital preservation.

Voting policy, and social, environmental and ethical considerations

Voting rights

The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the investment managers have produced written guidelines of their process and practice in this regard and are encouraged to vote in line with these guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

The Trustee's Report (Cont)

Responsible Investment – Environmental, Social and Governance ("ESG") considerations

The Trustee is a responsible steward for of the assets in which it invests. The Trustee's primary concern is to act in the best financial interests of its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

In taking material financial factors, including corporate governance, environmental (such as financial risks relating to climate change) and social considerations into account, the Trustee expects to both protect and enhance the value of the Scheme in the long term. The Trustee considers ESG, and financial risk from climate change, in a manner which is consistent with the Trustee's investment objectives, legal duties and other relevant commitments.

The Trustee expects all investment managers:

- where relevant to assess the integration of ESG factors in the investment process
- to use their influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and
- report to the Trustee and its advisers on its ESG activities.

In passive mandates, the Trustee recognises the choice of benchmark dictates the assets held by the Investment Manager and that the manager has minimal discretion to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the market and believe this approach is in line with the basis on which their current strategy has been set.

In active mandates, the Trustee recognises that the manager has freedom to exercise discretion as to the choice of assets held. The Trustee expects the manager to take into account all financially material factors in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

Members' views on ESG and Non-financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly consider non-financial factors, as defined under the Occupational Pension Schemes (Investment) Regulations 2005, as amended.

The Trustee sets and implements the Scheme's investment strategy in line with the principles set out in the Statement of Investment Principles. The complex nature of asset liability modelling and the requirement for professional expertise in investment management means that the Trustee does not involve members and beneficiaries in this process. Members can contact the Trustee to share views and concerns about any aspect of the running of the Scheme.

The Trustee and its Advisers do not engage directly with the underlying portfolio but believe it is sometimes appropriate for its investment managers to engage with key stakeholders, which may include corporate management, regulators and governance bodies relating to their investments, to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee will review engagement activity undertaken by their investment managers as part of its broader monitoring activity.

Monitoring

The Trustee's Advisers aim to meet with all their investment managers on an annual basis. The Advisers provide the Investment Managers with an agenda for discussion, including, where appropriate, ESG issues. Investment managers are challenged on the impact of any significant issues, including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

The Trustee's Report (Cont)

Remuneration

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

Portfolio turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period.

The Trustee will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

The Trustee will request turnover costs incurred by the asset manager over the Scheme reporting year.

Transfers between managers and changes in investment strategy during the year

Over the year to 31 March 2023, the Trustee implemented the following strategic changes for the Scheme.

In December 2022, there was an amendment made to the LDI benchmark, under which the liability cashflows were updated, and the interest and inflation hedge ratios were increased from 90% to 95%.

In the same month, the Trustee Board approved a de-risking proposal to decrease target allocation for Wellington (from 6% to 5%), for Henderson and TwentyFour (from 12% to 8%), and for CBRE UK Property (from 3% to 0%). On the other hand, they increased target allocation for LDI from 41% to 54% (increasing the size of collateral pool, and thus reducing leverage).

Over the year to 31 March 2023, the Trustee carried out a number of transfers between managers.

In April 2022, proceeds from CBRE UK Property mandate worth £11m were transferred to Insight's Liquidity fund. Due to de-risking measures, £23m was disinvested from SCOR's mandate, and was transferred to Insight's LDI fund (£20m), and Insight's Liquidity fund (£3m).

In May 2022, M&G ICOF's distribution of £16.3m was reinvested in M&G Corporate credit mandate. Further de-risking was carried out and £20m was transferred from SCOR's mandate to Insight's LDI fund.

In June 2022, further de-risking took place from the SCOR mandate, and £84m was invested in Insight's LDI fund, and £17m was invested in Insight's liquidity fund.

In July 2022, further de-risking measures were adopted and £45m was transferred from SCOR to Insight's LDI fund. To rebalance the portfolio to SIP weight, £15m was transferred from TwentyFour to Insight LDI. Proceeds from CBRE UK Property worth £8.6m were invested in Insight's LDI fund.

In August 2022, £20m was transferred from Henderson MAC to Insight LDI to rebalance to SIP weight. SCOR's EUR account was closed on 8 August, and the balance of £0.7m was transferred to Insight Liquidity fund.

In September 2022, further rebalancing took place and £34.9m (from TwentyFour ABS) and £20m from M&G Corporate Credit were transferred to Insight's LDI fund.

The Trustee's Report (Cont)

Transfers between managers and changes in investment strategy during the year (Cont)

In October 2022, rebalancing saw £30m transferred from Wellington's emerging market debt fund to Insight's LDI mandate. M&G ICOF distributed £4.8m on 31 October, which was reinvested in Insight's liquidity fund.

In November 2022, further rebalancing took place and £15m was transferred from Henderson MAC to Insight's LDI fund. On 9 November, SCOR's mandate was de-risked and £1.3m were transferred to Insight's LDI fund.

In January 2023, a number of investment decisions were taken due to strategic asset reallocation. £40m and £20m were transferred from TwentyFour's mandate to Insight's LDI and Liquidity mandates respectively. Funds were also reallocated from Wellington's emerging markets debt mandate (£15m) to Insight's LDI mandate.

In February 2023, £40m were taken out from Henderson's mandate, and invested in Insight's LDI fund. On 9 February, CBRE's UK Property mandate distributed £1.7m, which was invested in Insight's LDI mandate.

In March 2023, another £40m were transferred from Henderson's MAC to Insight's LDI fund due to strategic asset reallocation.

The remaining movements in pooled investment vehicles were movements to and from the liquidity funds from sales and purchases in bonds and the repayment of repurchase agreement exposure during the year.

Loan from Employer

On 19 October 2022, the Scheme entered into revolving back-up credit facility agreement with Shell Treasury Centre Limited for a maximum of £500m with interest being charged on standard market terms. A total amount of £300m was borrowed in October 2022 and used for liquidity purposed in the investment portfolio. The £300m was repaid along with £358k interest charged on 26 October 2022. The credit facility remains in place at the year end.

Investment principles

The Trustee has produced a Statement of Investment Principles as required by section 35 of the Pensions Act 1995 and a copy of the statement is available on request. The Statement of Investment Principles incorporates the Trustee's investment strategy. An updated Statement of Investment Principles was signed in December 2022 incorporating the latest considerations required in relation to ESG matters.

A copy of the Statement of Investment Principles is available from the following website:

https://pensions.shell.co.uk/bg-pension-scheme.html

The Trustee's Report (Cont)

Investment objectives and strategy

Strategic asset allocation

Following the review, the Trustee in consultation with its investment advisers, has agreed to implement a new strategic asset allocation for the Scheme to achieve their stated objectives (objectives outlined in the Statement of Investment Principles):

Asset Class	**Strategic Asset Allocation per the SIP in force as at 31 March 2023 (%)**	**Strategic Asset Allocation per the SIP in force at 31 March 2022 (%)**
Property	-	3.0
Multi Asset Liquid Credit	8.0	12.0
Asset Backed Security	8.0	12.0
Emerging Market Debt	4.0	6.0
Corporate Bonds	25.0	25.0
Liability Driven Investment (LDI), currency hedging and cash	55.0	42.0
Total scheme assets	**100.0**	**100.0**

Under the strategy as at 31 March 2023, the interest rate and inflation risk associated with the LDI assets is intended to offset (hedge) around 95% of the risk associated with the Scheme's liabilities.

The Trustee continues to monitor the appropriateness of the strategic asset allocation.

Investment performance

The performances of the Scheme's investments over periods to 31 March 2023 were:

	1 year (%)	**3 years (% p.a.)**
Return	-29.1	-7.4
Benchmark	-27.9	-7.1
Relative	-1.2	-0.3

The 1 year and 3 year performance and benchmark numbers reflect the aggregate returns and benchmark (weighted by the size of each fund) over the 1 year and 3 year period. Where funds have been held for less than 1 year or 3 years, they will not be included in the benchmark return numbers. Further details of the performance are provided on page 15.

Each underlying fund held by the Scheme will have its investment performance measured against a benchmark. This benchmark will reflect the expected performance of the fund, usually against comparable funds or the fund's target return. These individual benchmarks are usually agreed by the Trustee Board when a Manager is appointed, although they may be subject to occasional change.

The Trustee's Report (Cont)

Performance objectives

CBRE manage an active indirect property portfolio for the Scheme on a discretionary separate account basis and has done so since 24 November 2010. All investments are held in the UK. The performance objective for the UK portfolio is to outperform the IPD All Balanced Property Fund Index by 0.5% per annum over rolling three year periods. Overall performance is measured in Sterling.

Henderson Global Investors has managed a multi-asset credit strategy for the Scheme since 26 June 2015. The Trustee invests in the Henderson Multi-Asset Credit Fund, which has a performance aim of cash + 5% per annum.

M&G Investment Management Limited has managed an alternative credit mandate for the Scheme since 1 July 2015. The Trustee invests in the M&G Illiquid Credit Opportunity Fund, which has a performance aim of cash + 5% per annum. The Trustee also invests in an investment grade corporate bond mandate with M&G, which was incepted in January 2020, which has a performance aim of matching the iBoxx Sterling Collateralized and Corporates Index, with the interest exposure hedged back to duration of zero years.

Insight Investments has managed an LDI mandate and a liquidity fund for the Scheme since 27 November 2014. Additionally, the Insight also manage a currency hedge overlay since 12 December 2016. The LDI mandate aims to match a liability benchmark for the Scheme: however Insight are given discretion to take active management decisions.

SCOR Investment Partners has managed an insurance-linked securities mandate for the Scheme since 2 October 2017. The fund has a performance objective aim of 3 month US Treasury rate +4% per annum.

Wellington Management has managed an emerging market debt mandate for the Scheme since April 2019. The Scheme invests in local currency, investing in sovereign and quasi-sovereign government bonds issued in each country's own currency. In addition to providing diversification by asset class, emerging market debt offers diversification from developed markets more generally, which tend to be the primary focus of even very highly diversified asset portfolios. The fund's benchmark target is the J.P. Morgan GBI-EM Global Diversified index.

TwentyFour AM has managed the asset-backed securities ("ABS") mandate for the Scheme since March 2021, with TwentyFour AM Monument bond fund replacing the Insight ABS mandate. This was partially funded by part of the CBRE Global Alpha redemption. The fund invests in a diversified portfolio of European and Australian asset-backed securities (ABS), rated at least BBB- (or equivalent) at the time of investment by one or more of Standard & Poor's, Moody's Investor Services and Fitch, where the securities will be backed by the assets of institutions and issuers such as but not limited to residential mortgages, commercial mortgages, automobile leases and loans, SME loans and other secured bonds.

The Trustee's Report (Cont)

Performance over the 12 month period to 31 March 2023

The Scheme delivered a negative absolute return of 29.1% over the year to 31 March 2023, marginally underperforming its benchmark return of -27.9% by 1.2% over the 12-month period.

Negative relative performance was largely driven by the Scheme's holdings in the Henderson Multi-Asset Credit (-7.0%) and M&G Illiquid Credit Opportunities (-6.1%) mandates.

Matching assets (Insight LDI and M&G Corporate Credit) both returned negative absolute performance (-61.3% and -11.3%, respectively), however these were in line with their respective benchmarks as the level of actuarial liabilities has also reduced. SCOR's ILS and Wellington's EMD both performed positively in absolute as well as relative terms. Although TwentyFour AM's bond fund performed positively in absolute terms, it underperformed its benchmark by -2.8%.

Performance over the 3 year period to 31 March 2023

The Scheme produced negative absolute returns over the 3-year period (-7.4% p.a.), underperforming its benchmark by -0.3% p.a. All mandates returned positive absolute returns except for the Insight LDI mandate which returned -23.7% p.a. over the 3-year period. CBRE UK Property and M&G Illiquid Credit Opportunities mandates contributed to the negative relative underperformance.

Custody of the Scheme's assets

The Trustee appointed The Northern Trust Company as global custodian with effect from 4 July 2001. Northern Trust also acts as custodian for CBRE, Insight, SCOR and for the investment grade credit mandate with M&G.

Any shares held by Northern Trust are held in the name of NorTrust Nominees. NorTrust Nominees maintain records of each client's assets at the individual portfolio level. State Street Bank and Trust Company act as custodian for M&G whilst BNP Paribas Securities Services are custodian for the Henderson investment. The custodian for the Wellington Emerging Local Debt (IE) fund is State Street Fund Services (Ireland).

Approval of Trustee's Report

This report, which includes the Implementation Statement, was approved by the Trustee on

Date: ______________________________

Signed on behalf of the Trustee:

______________________________	______________________________
Director	Scheme Secretary

Independent Auditor's Report to the Trustee of the BG Pension Scheme

Opinion

We have audited the financial statements of BG Pension Scheme for the year ended 31 March 2023 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The Trustee is responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Trustee of the BG Pension Scheme (Cont)

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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee

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

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We set out below the key areas which, in our opinion the financial statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these.

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias.
- Misappropriation of investment assets owned by the scheme. This is addressed by obtaining direct confirmation from the investment custodian and fund managers of investments held at the Statement of Net Assets date.
- Diversion of assets through large investment transactions. A sample of transactions are agreed to supporting documentation testing the authorisation of the amount and approval of the payment of the transactions.
- Payment of large transfers out to invalid schemes or members. This is addressed through testing that there is evidence the receiving scheme is valid, the member identity is verified and of the authorisation of the amount and approval of the payment of the transactions.

Independent Auditor's Report to the Trustee of the BG Pension Scheme (Cont)

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of Our Report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP
Statutory Auditor
London

Date:

Summary of Contributions payable in the year

During the year ended 31 March 2023, the contributions payable to the Scheme by the Employer under the Schedule of Contributions certified on 2 December 2020 were as follows:

	£'000
Employer deficit funding contributions	-
Contributions payable under the Schedule of Contributions	-

Signed on behalf of the Trustee:

Director

Scheme Secretary

Date:

Independent Auditor’s Statement about Contributions to the Trustee of the BG Pension Scheme

Statement about contributions payable under the Schedule of Contributions

We have examined the Summary of Contributions payable to the BG Pension Scheme for the Scheme year ended 31 March 2023 which is set out on page 19.

In our opinion contributions for the Scheme year ended 31 March 2023 as reported in the Summary of Contributions and payable under the Schedule of Contributions have, in all material respects, been paid at least in accordance with the Schedule of Contributions certified by the Scheme on 2 December 2020.

Basis of opinion

Our objective is to obtain sufficient evidence to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Responsibilities of Trustee

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

Auditor’s responsibilities for the statement about contributions

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

Use of our statement

This statement is made solely to the Scheme's Trustee in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor’s statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme’s Trustee for our work, for this statement, or for the opinion we have formed.

Crowe U.K. LLP
Statutory Auditor
London

Date:

The Financial Statements

Fund Account

for the year ended 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Contributions and benefits			
Employer contributions	4	-	-
		-	-
Other income	5	848	-
Benefits paid or payable	6	(37,434)	(35,691)
Payments to and on account of leavers	7	(11,472)	(21,122)
Administrative expenses	8	(935)	(616)
		(49,841)	(57,429)
Net withdrawals from dealings with members		(48,993)	(57,429)
Returns on investments			
Investment income	9	19,765	30,801
Change in market value of investments	10	(616,484)	81,572
Investment management expenses	11	(1,845)	(3,884)
Net return on investments		(598,564)	108,489
Net (decrease) / increase in the fund during the year		(647,557)	51,060
Net assets of the Scheme			
At 1 April		2,092,516	2,041,456
At 31 March		1,444,959	2,092,516

The notes on pages 23 to 34 form part of these financial statements.

Statement of Net Assets
available for benefits as at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Investment assets:			
Bonds	10	1,606,737	2,350,594
Bonds – insurance-linked	10	2,485	139,445
Pooled investment vehicles	13	406,679	684,150
Derivatives	14	119,153	87,091
AC investments	16	15,679	17,992
Cash	10	4,892	22,785
Other investment balances	15	16,602	47,660
		2,172,227	3,349,717
Investment liabilities:			
Derivatives	14	(68,918)	(61,687)
Net against cash assets	10	(710)	-
Other investment balances	15	(659,385)	(1,196,279)
		(729,013)	(1,257,966)
Total net investments		1,443,214	2,091,751
Current assets	21	3,437	4,498
Current liabilities	22	(1,692)	(3,733)
Net assets of the Scheme at 31 March available for benefits		1,444,959	2,092,516

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on pages 7 to 8 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 23 to 34 form part of these financial statements.

These financial statements were approved by the Trustee on

Date: ____________________

Signed on behalf of the Trustee:

____________________ Director

____________________ Scheme Secretary

Notes to the Financial Statements

1. Basis of preparation

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

2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is disclosed in the Trustee's Report.

3. Accounting policies

The principal accounting policies of the Scheme which are applied consistently are as follows:

Currency

- The Scheme's functional and presentation currency is pounds sterling (GBP). Monetary items denominated in foreign currency are expressed in Sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into Sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Other income

- Other forms of income are accounted for on an accruals basis.

Payments to members

- Pensions in payment are accounted for in the period to which they relate.
- Where members have a choice regarding the form and timing of their benefit, benefits are accounted for on an accruals basis on the later of the date of retiring or leaving and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retiring or leaving.
- Individual transfers out of the Scheme are accounted for when member liability is discharged which is normally when the transfer amount is paid.
- Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate.
- Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within "Benefits paid or payable".

Administrative expenses

- Administrative expenses are accounted for on an accruals basis.

Investment income

- Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
- Income from the Scottish Limited Partnership is accounted for on an accruals basis.
- Income from pooled investment vehicles is accounted for when declared by the fund manager.
- Other interest from cash and short-term deposits and income from other investments are accounted for on an accruals basis.
- All gains and losses arising on derivative contracts are reported within 'Change in market value' of investments.
- Investment income arising from the underlying investments of the pooled investment vehicles which do not distribute income is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within "Change in market value".
- Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

Notes to the Financial Statements (Cont)

Investment management expenses

- Investment management expenses and rebates are accounted for on an accruals basis and shown net within investment returns.
- Transaction costs are included in the cost of purchase and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees.

Investment assets and liabilities

- The change in market values on 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 on sales of investments during the year.
- Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing price, single dealing price or most recent transaction price is used.
- Where quoted or other unit prices are not available, the Trustee adopts valuation techniques appropriate to the class of investment. Details of the valuation techniques and principal assumption are given in the notes to the financial statements where applicable.
- Bonds are stated at their clean prices. Accrued income is accounted for within investment income.
- Unitised pooled investment vehicles and AC investments have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in the other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.
- Open futures contracts are recognised in the net assets statement at their fair value, which is the unrealised profit or loss at the current bid or offer market price as at the year end. Amounts included in the change in market value quoted price of the contract of the contract, as determined by the closing exchange price as at the year end. Amounts due from the broker represent the amounts outstanding in respect of the initial margin due to or from the broker. Amounts included in the change in market value represent realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.
- The value of a swap at any one point in time is the difference between the value of the cashflows still to be paid and cashflows still to be received using a net present value pricing method. The Scheme uses zero coupon swaps which do not pay interest coupons like traditional bond or gilt investments. Instead, the coupons are compounded and paid at maturity rather than being paid at six monthly intervals. The Scheme also uses interest rate swaps which pay a floating rate based on the London Interbank Offered Rate (LIBOR) and inflation swaps which pay a fixed rate based on the retail prices index (RPI). Realised gains and losses on closed contracts and unrealised gains and losses on open contracts are included within the change in market value. The notional principal amount is used for the calculation of cash flows only.
- Forward foreign exchange (Forward FX) contracts are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- A repo is a form of short-term borrowing. Fixed interest securities subject to repurchase agreements are stated at bid price where available. The amounts payable under the repurchase agreements are stated at the value of the contractual obligation. Although the asset remains under the beneficial ownership of the Scheme, repos are entered into to receive cash for the assets on loan from the counterparty and the Scheme realises the liability to repurchase the asset on loan at a future date.
- The securities received as collateral are not recognised in the financial statements. The cash delivered to the counterparty as a receivable is recognised in the financial statements.

4. Contributions

	2023	2022
	£'000	£'000
Employer contributions		
Deficit funding	-	-

The actuarial valuation of the Scheme as at 31 March 2020 revealed that no deficit contributions were payable by the Sponsoring Employer.

The Trustee and Employer have also agreed that the Recovery Plan does not preclude the Trustee from requiring contributions from the Employer following completion of future actuarial valuations of the Scheme.

Notes to the Financial Statements (Cont)

5. Other income

	2023 £'000	2022 £'000
VAT refund	848	-

6. Benefits paid or payable

	2023 £'000	2022 £'000
Pensions	30,690	28,683
Commutation of pensions and lump sum retirement benefits	6,133	6,178
Lump sum death benefits	523	361
Taxation where lifetime or annual allowance exceeded	88	469
	37,434	35,691

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme's settling their tax liability.

7. Payments to and on account of leavers

	2023 £'000	2022 £'000
Individual transfers to other Schemes	11,472	21,122

8. Administrative expenses

	2023 £'000	2022 £'000
Administration and processing	398	279
Actuarial fees	357	231
Audit fee	49	42
Legal and other professional fees	117	46
Trustee expenses, bank and sundry	14	18
	935	616

Following a request from the Sponsoring Employer, the Scheme meets all expenses of the Scheme except for the PPF Levy which is met directly by the Principal Employer.

Notes to the Financial Statements (Cont)

9. Investment income

	2023 £'000	2022 £'000
Income from bonds	4,743	23,251
Income from pooled investment vehicles	10,231	8,974
Income from Scottish Limited Partnership	-	1,379
Net swap income	4,955	(2,806)
Interest on Company loan	(358)	-
Interest on cash deposits	194	3
	19,765	30,801

During the year the Company provided a short-term loan to ensure that the Scheme had sufficient liquidity to cover any collateral calls. Further details are provided in note 23.

10. Reconciliation of investments

	Value at 31 March 2022 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31 March 2023 £'000
Bonds	2,350,594	264,626	(352,274)	(656,209)	1,606,737
Bonds – insurance-linked	139,445	3	(147,927)	10,964	2,485
Pooled investment vehicles	684,150	906,846	(1,180,040)	(4,277)	406,679
Derivatives	25,404	36,968	(40,363)	28,226	50,235
AC investments	17,992	-	(1,673)	(640)	15,679
	3,217,585	1,208,443	(1,722,277)	(621,936)	2,081,815
Cash deposits	22,785			5,452	4,182
Other investment balances	(1,148,619)				(642,783)
	2,091,751			(616,484)	1,443,214

There were no direct transaction costs in the current and preceding year: however indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those investments.

As part of the rebalancing program in place and the review of the strategic allocation in the year there was c. £500m that was transfered from other asset classes held in pooled vehicles to the segregated LDI portfolio. Other movements relate to the receipt and subsequent repayment of the £300m loan from the company and other movements in liquidity funds. The net disinvestments from bonds and pooled investment vehicles were mainly used to reduce the repurchase agreement exposure in the year.

11. Investment management expenses

	2023 £'000	2022 £'000
Administration, management and custody	1,647	3,740
Investment advice	198	144
	1,845	3,884

Notes to the Financial Statements (Cont)

12. Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

13. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	2023 £'000	2022 £'000
Bond fund	123,369	233,448
Property fund	31,308	47,374
Emerging market debt	63,092	101,157
Multi-asset fund	119,930	238,840
Illiquid credit fund	37,760	41,026
Cash fund	31,220	22,305
	406,679	684,150

The multi-asset funds may invest in global government and corporate bonds, global equities (including commodity and energy), cash, and cash equivalents. The illiquid credit fund may invest in collective investment schemes (CIS), debt issuance vehicles, asset backed securities (ABS) and structured products, bonds, loans, notes, insurance-related assets, equity, cash, and cash equivalents. The multi-asset funds and illiquid credit fund may enter into over the counter (OTC) derivatives and other arrangements with counterparties.

The property and illiquid credit funds are included at fair value. However, because of the inherent uncertainty associated with the valuation of some of these, these fair values may differ from their realisable value.

14. Derivatives

OBJECTIVES AND POLICIES

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

At the year end the Scheme held the following derivatives:

	2023			2022		
	Asset £'000	Liability £'000	Total £'000	Asset £'000	Liability £'000	Total £'000
Futures	-	(401)	(401)	507	-	507
OTC Swaps	119,084	(68,456)	50,628	86,242	(61,291)	24,951
Forward FX contracts	69	(61)	8	342	(396)	(54)
	119,153	(68,918)	50,235	87,091	(61,687)	25,404

A summary of the Scheme's outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

i. OTC Swaps

Nature	Notional amounts £'000	Expires	Asset value £'000	Liability value £'000
Inflation swaps	16,811	1-5 years	-	(3,131)
Inflation swaps	53,941	5-15 years	1,911	(8,298)
Inflation swaps	74,057	>15 years	6,784	(3,912)
Interest rate swaps	328,773	1-5 years	17,619	(926)
Interest rate swaps	76,538	5-15 years	15,159	(529)
Interest rate swaps	320,064	>15 years	77,611	(51,660)
Total 2023	870,184		119,084	(68,456)
Total 2022	860,848		86,242	(61,291)

Notes to the Financial Statements (Cont)

14. Derivatives (Cont)

At the year end the Scheme held collateral of £51m (2022: £24.5m) in respect of the OTC swaps in the form of bonds and cash.

ii. Futures

Nature	Economic exposure	Expires	Asset value £'000	Liability value £'000
Exchange traded gilts	-	June 23	-	(401)
Total 2023	-		-	(401)
Total 2022	-		507	

iii.Forward FX

Contract	Settlement date	Currency bought '000	Currency sold '000	Asset value £'000	Liability value £'000
Forward FX	<3 months	£5,434	$6,705	14	-
Forward FX	<3 months	£15,483	€17,543	55	-
Forward FX	<3 months	$356	£294	-	(7)
Forward FX	<3 months	€5,035	£4,483	-	(54)
Total 2023				69	(61)
Total 2022				342	(396)

15. Other investments and other investment balances

The Scheme's investments in "other" investments and its other investment balances at the year-end comprised:

	2023 £'000	2022 £'000
Repurchase agreements (Repo)	(655,453)	(1,191,113)
Amounts due from broker	814	196
Investment income receivable and recoverable withholding tax	4,315	6,688
Pending trades	7,541	35,610
	(642,783)	(1,148,619)

During the year, the Scheme entered into repurchase agreements using its UK government index linked gilts as the underlying security. The Scheme retains the entitlement to receive income accruing on these securities and has a contractual agreement to repurchase the securities at a specified future date.

The securities are included in the financial statements as assets of the Scheme at their market value. At 31 March 2023, the market value of securities sold under repurchase agreements was £666m (2022: £1,162m).

Amounts payable to counterparties under repurchase agreements are disclosed as liabilities in the Scheme's financial statements under investment liabilities. At 31 March 2023 this amounted to £659m (2022: £1,190m) which includes £3.6m accrued interest payable (2022: £1.0m accrued interest payable).

At 31 March 2023 there was collateral pledged of £3m (2022 £56m) against the difference in valuation between the underlying securities and the repurchase agreements.

Notes to the Financial Statements (Cont)

16. Additional Contributions (ACs) investments

Prior to the Scheme closure, contributors could pay additional contributions (ACs) on a money purchase basis to secure benefits in addition to those provided by the Scheme. As at 31 March 2023, ACs totalled £15.6m (2022: £18.0m).

In addition to the money purchase ACs, members who on 3 July 2001 were paying ACs to buy added years of services on terms determined by the Scheme Actuary, were able to continue doing so.

17. Collateral

		2023	2022
Investment type	**Underlying investment**	**£'000**	**£'000**
OTC swaps	UK gilts	35,309	(3,200)
OTC swaps	Cash	15,691	27,709
		51,000	24,509
Repurchase agreements	UK gilts	(3,134)	(56,123)
		47,866	(31,614)

18. Fair value determination

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

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

	As at 31 March 2023			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	1,606,737	-	-	1,606,737
Bonds – insurance-linked	-	2,485	-	2,485
Pooled investment vehicles	-	337,611	69,068	406,679
Derivatives	(401)	50,636	-	50,235
AC investments	-	15,679	-	15,679
Cash	4,182	-	-	4,182
Other investment balances	12,670	(655,453)	-	(642,783)
	1,623,188	(249,042)	69,068	1,443,214

	As at 31 March 2022			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds	2,337,437	13,157	-	2,350,594
Bonds – insurance-linked	-	139,445	-	139,445
Pooled investment vehicles	-	595,750	88,400	684,150
Derivatives	-	25,404	-	25,404
AC investments	-	17,992	-	17,992
Cash	22,785	-	-	22,785
Other investment balances	42,494	(1,191,113)	-	(1,148,619)
	2,402,716	(399,365)	88,400	2,091,751

Notes to the Financial Statements (Cont)

18. Fair value determination (Cont)

Included within Level 1 are directly held government bond holdings valued using market quotations (Insight), cash deposits held directly with investment managers (CBRE, Henderson, and Insight), and investment income receivable. Level 2 contains catastrophe bonds and corporate bonds in the form of insurance-linked securities (SCOR), unlisted open-ended pooled funds with daily or weekly dealing (Henderson, Invesco and Wellington) and OTC derivatives (Insight). Included within Level 3 are unlisted open-ended pooled funds investing in property (CBRE) and the illiquid credit fund (M&G) which is closed-ended reflecting the illiquidity of the underlying investment.

19. Investment risk disclosures

FRS102 requires the disclosure of information in relation to certain investment risks as follows:

- Credit risk – one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk – comprises the following three types of risk:
    1. Interest rate risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates
    2. Currency risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates
    3. Other price risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates and currency).

The Trustee determines its investment strategy after taking advice from Hymans Robertson LLP and Shell Asset Management Company B.V. (SAMCo). The Scheme has exposure to these risks because of the investments it makes in the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives.

There are investment management agreements in place with the Scheme's investment managers and advisers that include investment restrictions, and these are monitored by the Trustee through regular reviews of the investment portfolio. Further information on the Trustee's approach to risk management, credit and market risks is set out below. This does not include the Scheme's additional contribution (AC) investments as these are not considered significant in relation to the overall investments of the Scheme.

The key risks associated with the current investment strategy, set out in the Trustee Report on page 14 are, in order of significance:

Interest rate risk

The Scheme is subject to interest rate risk as part of the LDI mandate as shown in the table below. As at 31 March 2023, the LDI portfolio was set to hedge 95% (2022: 90%) of the interest / inflation risk of the Scheme. The Trustee has set a benchmark allocation for total investment in LDI of 54% (2022: 41%) of the total Scheme assets. As at 31 March 2023, the actual allocation was 46% (2022: 38%). At the year end, the Matching assets and liquidity portfolio (LDI mandate, M&G GBP Corporate Credit mandate, Currency hedge & Liquidity Fund) represented c.73% (2022: 58%) of the total Scheme assets. If interest rates fall/inflation expectations rise, the value of the LDI investment will rise to help match the increase in actuarial liabilities arising from these changes. Similarly, if interest rates rise/inflation expectations fall, the LDI investments will fall in value, as will the actuarial liabilities. Due to the rise in gilt yields in the year the value of the LDI portfolio has fallen: however as stated above this has also led to a fall in actuarial liabilities.

In the return-seeking investments, the bond, illiquid credit, emerging market debt, asset-backed securities, and cash funds are exposed to interest rate risk and a proportion of the absolute return funds are exposed to interest rate risk depending upon their portfolio at the time as shown in the table below. The investment managers will consider the risk and expected reward when determining their investment allocations.

Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, OTC derivatives, repurchase arrangements, reverse repurchase arrangements and other investment balances, and has cash deposits as detailed in the table below.

Notes to the Financial Statements (Cont)

19. Investment risk disclosures (Cont)

Credit risk (Cont)

A summary of pooled investment vehicles by type of arrangement is as follows:

	2023 £'000	2022 £'000
Authorised unit trusts	119,930	238,840
Open ended investment companies	185,897	303,127
Share of limited liability partnerships	100,852	142,183
	406,679	684,150

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

Credit risk arising from derivatives depends on whether the derivative is exchange traded or OTC. OTC derivatives contracts (swaps) are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements with the investment managers.

Credit risk arising on the repurchase and reverse repurchase agreements is mitigated through the use of a range of collateral arrangements.

Cash deposits are held with financial institutions which are rated at least investment grade.

The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the holdings in these pooled investment vehicles. The Scheme's holdings in pooled investment vehicles are generally unrated. The credit risk arising from the 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 managers operate and diversification of the investments amongst a number of pooled arrangements. SAMCo carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes in the operating environment of the pooled managers.

The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investments, the extent of which is detailed in the table below. This risk is mitigated by the investment restrictions in place for each of the pooled investment vehicles.

Other price risk

Other price risk arises principally from the Scheme's return-seeking and income assets, which include multi-asset funds, investment grade corporate bond funds, property funds, illiquid credit funds, emerging market debt funds and cash funds. Some of the Scheme's managers also use derivatives as a way of obtaining efficient exposure to investment markets, as these are also subject to other price risk.

The Scheme Trustee has set a benchmark for total investment in the return-seeking investments of 20-36% (2022: 33-43%) of the entire investment portfolio, as part of the overall strategy. At the year end, the return-seeking investments represented c.27% of total assets (2022: 42%).

The Trustee manages other price risk by constructing a diverse portfolio of investments across various markets and with various investment managers.

Currency risk

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

The Scheme is subject to direct currency risk through its exposure to the SCOR Investment Partners' ILS mandate, valued at £3.0m at the end of March 2023 (2022: £182.1m), which has underlying investments denominated in US Dollars, Euros, and Japanese Yen. As such, the Sterling valuation of the investment is directly influenced by changes in the GBP/USD, GBP/EUR and GBP/JPY foreign exchange rates. The Scheme uses a currency hedging overlay throughout the year which is managed by Insight. This hedges the USD, EUR and JPY exposure back into Sterling. The exposure of the currency hedging overlay is updated on a monthly basis.

Notes to the Financial Statements (Cont)

19. Investment risk disclosures (Cont)

Currency risk (Cont)

The Scheme is also subject to indirect currency risk due to a proportion of the underlying financial instruments held within the pooled investment vehicles being denominated in overseas currencies. In particular, the diversified growth, hedge fund and bond mandates are subject to currency risk, although the proportion is dependent on the portfolio held at the time. Currency risk on the equity mandate is mitigated through investment in share classes that hedge overseas currency exposure back to Sterling where appropriate. This may not always be possible, in particular for the Scheme's exposure to emerging market currencies and therefore currency risk is accepted in these circumstances.

The following table illustrates the extent to which the Scheme's investments are subject to the above risks:

	Credit risk	Market risk: Interest rate risk	Market risk: Other Price risk	Market risk: Currency risk	2023 £'000	2022 £'000
Liability driven investments						
Bonds	Yes	Yes	No	No	1,606,737	2,350,594
Insurance-linked securities	Yes	Yes	Yes	Yes	2,485	139,445
Derivatives - swaps	Yes	Yes	No	No	50,628	24,951
Repurchase agreements	Yes	Yes	No	No	(655,453)	(1,191,113)
Total liability driven investments					1,004,397	1,323,877
Return seeking investments						
Pooled investment vehicles						
Bond fund	Yes	Yes	No	Partly	123,369	233,448
Property fund	Yes	No	Yes	Partly	31,308	47,374
Multi-asset fund	Yes	Partly	Partly	Partly	119,930	238,840
Illiquid credit funds	Yes	Yes	Partly	Partly	100,852	142,183
Cash funds	Yes	Yes	No	No	31,220	22,305
Cash	Yes	Yes	No	No	4,182	22,785
Derivatives - FFX	Yes	No	No	Yes	8	(54)
Derivatives - futures	Yes	No	Yes	No	(401)	507
Amounts due to/from broker	Yes	Yes	No	No	814	196
Investment income due/payable	Yes	Yes	No	No	4,315	6,688
Pending trades	Yes	Yes	No	No	7,541	35,610
Total return seeking investments					423,138	749,882
Scheme total (excluding ACs)					1,427,535	2,073,759

The table above does not include the Scheme's AC investments, as these are not considered significant in relation to the overall investments of the Scheme.

In addition the Trustee has identified a number of other risks that will affect the funding level and contribute to funding risk which they consider when assessing the risk profile of the Scheme's investments. These include:

• **Cashflow risk** – the Trustee manages this risk by taking into account the timing of future payments in order to minimise the probability that there is a shortfall in liquid assets relative to the Scheme's liabilities. Where appropriate, the Scheme has invested in income distributing share classes that make regular coupon/dividend payments to the Trustee Bank Account to help with the Scheme's cashflow requirements.

• **Risk of lack of diversification** – the Trustee ensures that the assets held by the Scheme within each mandate and asset class are well diversified: that is, there is no single investment within each mandate or asset class that is material in the context of the Scheme as a whole. The Trustee monitors this via investments reports produced by the managers.

• **Covenant risk** – the Trustee manages this risk by considering the strength of the sponsor when setting the investment strategy, and by consulting with the employer as to the suitability of the proposed strategy.

• **Operational risk** Operational risk – the Trustee manages this risk by ensuring that all advisors and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

Notes to the Financial Statements (Cont)

20. Concentration of investments

The following investment accounts for more than 5% of the Scheme's net assets at the year-end:

	2023		2022	
	£	%	£	%
Henderson Multi Asset Credit Fund	119,930	8.3	238,840	11.4

21. Current assets

	2023	2022
	£'000	£'000
Prepayments	13	13
VAT recoverable	848	-
Cash balances	2,576	4,485
	3,437	4,498

22. Current liabilities

	2023	2022
	£'000	£'000
Unpaid benefits	(348)	(2,234)
Tax due to HM Revenue & Customs	(570)	(411)
Other creditors	(774)	(1,088)
	(1,692)	(3,733)

23. Contingent liabilities and contractual commitments

In the opinion of the Trustee, the Scheme had no contingent liabilities as at 31 March 2023 (2022: £nil). Forward commitments for investments at 31 March 2023 of £nil (2022: £nil) comprise expenditure on investments authorised and contractually committed before the year-end, which is not provided for in the financial statements.

24. Related party transactions

Administrative expenses were met by the Sponsoring Employer until 31 December 2016. With the exception of the administration expenses disclosed in note 8 and the investment manager expenses disclosed in note 11 certain Scheme expenses are borne by the Employer. These Scheme expenses amounted to £209k (2022: £115k). Included in the Scheme expenses are fees payable to Capital Cranfield Pension Trustees Limited for the provision of services in relation to the Independent Chairman. This amounted to £56k (2022: £54k).

The Employer paid the PPF risk-based levy in line with the provisions of the Schedule of Contributions. This amounted to £27k (2022: £26k).

The Employer has been recovering VAT on behalf of the Scheme and agreed to pay £848k in respect of historic VAT recovered on Scheme expenses. This is shown in note 21.

Other than as disclosed elsewhere in these financial statements, there are no other related party transactions that require disclosure.

On 19 October 2022, the Scheme entered into revolving back-up credit facility agreement with Shell Treasury Centre Limited for a maximum of £500m with interest being charged on standard market terms. A total amount of £300m was borrowed in October 2022 and used for liquidity purposed in the investment portfolio. The £300m was repaid along with £358k interest charged on 26 October 2022. The credit facility remains in place at the year end.

Notes to the Financial Statements (Cont)

25. Employer-related investments

The Occupational Pension Schemes (Investment) Regulations 1996 restrict employer-related investment to 5% of the market value of the Scheme. The Scheme has no segregated self-investment holdings in RDS shares, the ultimate owner of BG Group Limited at 31 March 2023, and had no indirect exposure to holdings in RDS shares during the year.

26. GMP Equalisation

As explained on page 5 of the Trustee's Report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee is aware that this will affect the Scheme, has set up a subgroup to consider how best to deal the issue and progress updates are provided to the Trustee. 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 handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgment arise in relation to many other defined benefit pension schemes. Any adjustments necessary will be recognised in the financial statements in future years.

The last actuarial valuation as at 31 March 2020 includes a provision of 0.25% (£5.2m) for the total increase in the actuarial liabilities due to GMP equalisation. There is currently no split between past and future liabilities, however the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements.

Certificate of Adequacy of Contributions

Actuarial Certificate

Schedule of Contributions

Name of Scheme: BG Pension Scheme

Adequacy of rates of contributions

1 I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2020 to be met by the end of the period specified in the recovery plan dated 11 December 2020.

Adherence to Statement of Funding Principles

2 I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 11 December 2020.

3 I also certify that the rates of contributions shown in this schedule are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

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

Martin G Bell

Martin G Bell
Fellow of the Institute and Faculty of Actuaries

Date: 14 December 2020

Towers Watson Limited (part of Willis Towers Watson)
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Schedule of Contributions

BG Pension Scheme

Schedule of Contributions (dated 2 December 2020)

This schedule of contributions has been prepared by the Trustee of the BG Pension Scheme (the "Scheme") to satisfy the requirements of Section 227 of the Pensions Act 2004, after obtaining the recommendations of Mr M Bell of Towers Watson Limited, the actuary to the Scheme.

The Trustee has agreed this schedule of contributions with BG Group Limited (the "Company") and it replaces the previous schedule dated 27 September 2017.

Period covered by Schedule of Contributions: from 1 April 2020 to 31 March 2025.

This schedule sets out the contributions payable from the date of the Schedule. The contributions payable for the period from 1 April 2020 to the date of this schedule are covered by the schedule dated 27 September 2017.

Level of contributions payable:

By members:	Nil
By employers:	
Recovery plan contributions:	Nil
Additional contributions:	see notes **b.** and **c.**

Notes

a This schedule of contributions relates to the payment of contributions to the Scheme under Rule 2.4.

b Additional employer contributions are required to meet the additional costs of benefit augmentations. These contributions (and the timing of their payment) are assessed by reference to the actuarial factors and instructions issued by the Scheme actuary.

c The Company shall pay contributions equal to the invoice amount of the annual PPF Pension Protection Levy to be paid from the Scheme and such other contributions as may from time to time be agreed by the Trustee and the Company.

Agreed on behalf of the Company and the participating employers:		**Agreed on behalf of the Trustee:**	
Signature:	DocuSigned by: Michael Clark	Signature:	DocuSigned by: Martin Jones
Print name:	Michael Clark	Print name:	Martin Jones
Position:	VP Group Pensions	Position:	Chairman of Trustees
Date:	12/11/2020	Date:	12/11/2020

Implementation Statement

Statement of Compliance with the BG Group Pension Scheme's Stewardship Policy for the year ending 31 March 2023

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme's Stewardship Policy during the period from 1 April 2022 to 31 March 2023 (the "2022/23 Scheme Year").

Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee's approach to;

• the exercise of voting rights attached to assets; and

• undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed on an annual basis in line with the Scheme's Statement of Investment Principles (SIP) review which was last completed on 29/06/2023.

You can review the Scheme Stewardship Policy which can be found within the Scheme's/Plan's Statement of Investment Principles, at https://pensions.shell.co.uk/bg-pension-scheme.html.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. Whilst the Trustee does not regularly directly meet with their managers, this is undertaken by one of the Scheme's investment advisers – the Shell Asset Management Company ("SAMCo") - who meet with the Scheme's investment managers on a periodic basis. The Trustee consider managers' exercise of their stewardship through reporting provided by their investment adviser.

The Trustee also monitors their own compliance with their Stewardship Policy on a periodic basis and are satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

Voting activity

A consequence of the Trustee predominantly investing via pooled funds is that voting decisions are delegated to the Investment managers. The Trustee expects the Scheme's investment managers to exercise any voting rights attached to individual investments in accordance with their own house policy, with the objective of preserving and enhancing long term value for investors.

Given that the Scheme does not currently invest in any equity holdings, we have not assessed the direct voting activity of any of the investment managers over the year ending 31 March 2023.

No voting rights are attached to any of the Scheme's other underlying assets held on behalf of the Trustee, so there is no voting behaviour or activity by the managers on which to report.

Engagement activity

SAMCo holds meetings with investment managers on a quarterly basis where stewardship issues are discussed in further detail. As part of the quarterly monitoring, ESG developments and metrics are discussed and progress is monitored. Over the course of the 2022/23 Scheme year, SAMCo met with investment managers on eleven occasions where the following issues were discussed:

Date	Fund manager	Subject discussed	Outcome
September 2022	M&G Sterling Corporate Credit	Requested information regarding the manager's ability to report under TCFD	Manager provided SAMCo with updated holdings information and an overview of climate related metrics that they will be able to report on.
September 2022	Insight	Requested information regarding the manager's ability to report under TCFD	Manager provided SAMCo with updated holdings information and an overview of climate related metrics that they will be able to report on.
November 2022	All managers	Requested input from all managers regarding their climate-related targets as an organization	SAMCo received input on the managers' climate related targets. Most relevant are M&G's (interim) net zero targets that they apply for public corporate credit assets. This is less relevant for the other managers/ mandates
January 2023	Insight	Requested information (ESG questionnaire) regarding the manager's ESG policies, integration and reporting	SAMCo received requested information in February 2023. Insight published its inaugural 2022 TCFD report and will look to improve and increase scope. LDI mandate: quarterly TCFD aligned reporting for gilts (carbon intensity, footprint) and credit rating and ESG rating per (derivatives) counterparty. Insight Liquidity fund: classified as SFDR Article 8 since November 2022
January 2023	Janus Henderson	Requested information (ESG questionnaire) regarding the manager's ESG policies, integration and reporting	SAMCo received requested update on ESG in February 2023. JHI updated their ESG Corporate Statement and ESG Investment and hired a Chief Responsibility Officer in January 2023. Furthermore, the manager provides annual and quarterly ESG updates, which SAMCo monitors. In addition, JHI provides a more extensive quarterly ESG-specific report including TCFD aligned credit metrics (e.g., proprietary ESG scoring, carbon data, etc.) and engagement highlights of the strategy.
January 2023	M&G	Requested information (ESG questionnaire) regarding the manager's ESG policies, integration and reporting	SAMCo received requested update on ESG in February 2023. Furthermore, the manager provides annual and quarterly ESG updates, which SAMCo monitors. The quarterly report includes ESG

			portfolio characteristics (carbon data) and engagement highlights of the strategy.
January 2023	TwentyFour	Requested information (ESG questionnaire) regarding the manager's ESG policies, integration, and reporting	SAMCo received requested update on ESG in February 2023. The manager is engaging with CLO managers and ABS counterparties to improve ESG data coverage. Furthermore, the manager provides quarterly ESG updates, which SAMCo monitors. The quarterly presentations include update on engagement, average ESG score and carbon emissions (WACI). Manager can also report on other (TCFD aligned) climate metrics. The manager is working to adapt to the TCFD reporting requirements. Although the Monument bond fund does not fall under SFDR, it is run as if it were an Article 8 fund
January 2023	Wellington	Requested information (ESG questionnaire) regarding the manager's ESG policies, integration, and reporting	SAMCo received requested information in February 2023. The Wellington ELD fund is managed as Article 8 fund since 31 December 2021. Wellington has created an annual Climate report, in line with TCFD recommendations. Additionally, SAMCo receives an ESG-specific quarterly report on the ELD fund, reporting on engagement, ESG rating, Carbon emissions and carbon intensity.

Summary of manager engagement activity

The following table summarises the key engagement activities by the Scheme's investment managers, during the 2022/23 Scheme Year. The Trustee receives annual reporting on the investment managers' engagement activity. Each manager has provided selected case studies which are representative of their engagement activity over the year. The following table summarises the key engagement activity for the 12 month period ending 31 March 2023.

The number of engagements has been provided on a fund level when applicable. We have excluded reporting on manager engagement activity for SCOR Partners given the nature of the assets managed for the Scheme.

Manager	Number of engagements	Topics engaged on	Case Studies

CBRE – UK Separate Account	15	Corporate action, ESG data collection, fund extensions, approval of litigations and financial statements, and asset disposals.	**Nuveen UK Shopping Centre Fund** • Engagement Topic: ESG data collection. A questionnaire was sent to the manager, asking for information to be provided in relation to areas including the manager's ESG policy, DE&I statistics, and fund's net zero carbon targets. • Engagement outcome: The Fund manager has completed the questionnaire. **Curlew Student Trust** • Engagement topic: Corporate action – asset refurbishment and others. • Engagement outcome: CBRE IM approved (i) the £205.9m valuation for Curlew Student Trust as at the 31st of December 2020 and the associated £3.7m carried interest payment; and (ii) the £15.2m business plan to fully refurbish Potterrow 1, Edinburgh, converting the existing 151 cluster room scheme to 151 studios with a re-energised ground floor reception and amenity space.
Insight	11781	Climate change, water, diversity and inclusion, ESG-linked remuneration	**Heathrow** • Engagement topic: Encouraging Heathrow to strengthen and consolidate its net zero strategy (particularly on Scope 3), encouraging Heathrow's participation in the Climate Disclosure Programme (CDP) and obtaining the Science Based Targets initiative (SBTi), which enables ambitious private sector action to set ambitious science-based emissions reduction targets. • Engagement outcome: Heathrow were aware of CDP and were keen to understand how Insight uses the data. Insight has requested that they participate in future. In 1Q 2023, Heathrow received approval from the Science Based Targets Initiative (SBTi) for their 2030 carbon reduction targets, confirming they are consistent with a 1.5-degree trajectory. Heathrow is the first airport to achieve this status with SBTi's updated 1.5-degree standard **JP Morgan** • Engagement topic: To provide feedback on the Insight counterpart ESG questionnaire and to understand its decarbonisation approach and its

			Diversity and Inclusion (D&I) policies in more detail. • Engagement outcome: Among the counterparties surveyed/assessed by Insight, JPM's fossil fuel financing polices are some of the weakest. Insight believes JPM should review and strengthen its fossil fuel policies in reference to IEA (International Energy Agency) Net Zero guidance. Similarly, on its D&I policies, Insight recommends JPM to prioritise the provision of more quantitative and data led information.
M&G - Illiquid Credit Opportunities	13	Supply chain, data disclosure, modern slavery, treatment of customers, calculation of net emissions, diversity and inclusion practices, and financial performance.	**Chile Solar Power** • Engagement topic: Seek action from the borrower in tracking their supply chain to avoid the use of suppliers who may be adopting forced labour practises. • Engagement outcome: M&G requested that the borrower enters into a "side letter" with M&G agreeing to a requirement that they develop a Responsible Purchasing Policy describing the process of supplier qualification, allowing this to track their supply chain. M&G has continued to push the borrower to adopt this policy, holding them accountable to their commitment under the side letter and tracking their progress in developing said policy. The borrower has engaged positively on this point and has begun to provide evidence of this purchasing policy coming together, indicative of M&G's influence in driving more stringent governance and encouraging positive behaviour on this important matter. The borrower has drafted a "Purchasing Charter" covering their approach to supplier selection at a companywide level. The borrower will work with external bodies such as Ecovadis who provides sustainability ratings of companies through evidence-based assessments and SGS which would provide audit services on supply chains. **Xella** • Engagement topic: Push Xella to commit to the Science Based Target Initiative (SBTi) by 2023, and encourage scope 3 disclosure/objectives, and to broaden D&I commitments and set targets. • Engagement outcome: The company is taking several steps towards better climate disclosure. The intention is to submit the first letter of

			commitment by the end of 2022 with formal SBTi feedback and verification sought by March 2023. Scope 3 reduction will be underpinned by (1) circularity of raw materials (recycling wastage – either from their own processes or from brownfield sites) thus requiring fewer purchases from suppliers, and (2) use of lime/cement with lower CO2 content. Whilst the cement industry has already started working towards Science Based targets, the lime industry is less mature, with the biggest advances expected after 2030. Management have engaged with suppliers and feedback has been supportive. Xella have set a 25% target for female managers by 2025. This is from a current level of 19%, which has risen from 17.8% in 2020. They consider this target achievable on a global level but note that the diversity ranges significantly by geography and are unlikely to meet this target on a micro level. The company is also developing talent to encourage pipeline growth and have been looking at policies to make it easier to attract female candidates. At the end of 2021 they identified a female talent pool which are mentored by Ex Co members. The company is however struggling to find suitable female candidates, particularly for senior roles. Management is at least proactively moving in the right direction.
M&G – GBP Corporate Credit	10	Climate change, remuneration, leadership, human capital management, board effectiveness, human and labour rights, conduct, culture and ethics	**BASF SE** • Engagement topic: Environmental – Climate change. M&G engaged with BASF to add scope 3 to the existing scope 1 & 2 carbon emission reduction targets and commit to decarbonising its feedstock by 2050. • Engagement outcome: The company explained that it is making good progress with its 45,000 suppliers in terms of upstream scope 3 emissions but there still is a gap for downstream scope 3 emissions due to the lack of a methodology and a lack of end-of-life data for the thousands of applications in which BASF products are used. BASF is now part of the SBTi expert group working on a sector-specific methodology for the chemical industry and hopes to be in a position to get good enough data to set a scope 3 target by the end of 2023. No promise was made on decarbonising feedstock. The company explained that the majority of its products will always be carbon-based. However, in future, carbon from CCU (carbon capture and utilisation), recycling or

			bio-based feedstocks such as biomethane will increasingly replace fossil-based feedstocks. **Veolia Environment SA** • Engagement topic: Social - Conduct, culture and ethics. M&G engaged with the French service and utility company to verify the validity of the ISS red flag assigned in relation to exposure to nuclear weapons inside NPT (Treaty on the Non-Proliferation of Nuclear Weapons) • Engagement outcome: The company confirmed that the ISS report is factually accurate. The company have discussed the red flag with ISS ESG as they were keen to understand the methodology behind awarding the red flag. ISS confirmed that they do not apply a materiality threshold and that the decision to award the flag is binary. The company confirmed that the flag is in relation to a contract to provide maintenance operations on non-military elements of military submarines. The contract is provided through a JV between Veolia and Naval Group and the service provided is the provision of electricity power during the maintenance period. The contract accounts for approx. 0.0001% of the revenues of the Veolia Group. Veolia explained that they are reviewing how soon they can exit the contract without damaging shareholder value and/or creating damage to their JV partner. In terms of next steps, Veolia will share details of when the contract will expire with both M&G and ISS and we will continue to monitor the issue.
Janus Henderson	522	GHG financed emissions management (Scope 3 estimation, risk analysis, implications for net zero goals), CLO managers approach to UNGC principals, and affordability and customer health	**Coherent** • Engagement topic: The manager decided to engage with management to focus their attention on the lack of disclosure for Scope 3 emissions, as well as request further information on the company's progress towards imposing a net-zero target for Scope 1 and 2 emissions. It also questioned the company about its sourcing of materials from high conflict regions specifically focussing on how safe work environments are maintained. • Engagement outcome: Coherent shared with the manager that they are yet to set a net zero target for Scope 1 and 2 emissions. However, the conversation is underway and will be brought to the board in May 2023. The target is expected to be published alongside other metrics in October.

Coherent shared that they expect a scope 3 target to take longer to publish, however base measurements will be included in the October report. Regarding scope 3 numbers, it was highlighted that most suppliers have been cooperative, however smaller suppliers are finding it tougher to adjust. Coherent said that it will not end a relationship with a supplier solely because it is taking longer to comply and have hired Siemens to help with all emissions needs. Regarding conflict materials Coherent have a dedicated team which works with its suppliers to ensure they are conducting business and treating workers in an ethical manner. Management indicated that they are currently engaged with over 100 suppliers and are focusing more attention on this area. However, according to the company they only use trace amounts of this material so it would not be economically appropriate to conduct on site audits. Management indicated this is an area they are adding personnel to.

Center Parcs

• Engagement topic: Janus Henderson engaged with the company to discuss carbon emissions, water scarcity, data protection & privacy. Center Parcs only reports emissions for Scope 1 and 2 but is working on evaluating Scope 3. In terms of water management, Center Parcs does not see potential water restrictions in the summer as a material risk due to their access to sufficient water at some of the villages which they own. The company is fully compliant with GDPR. Some platforms are provided by third parties; however, the company has its own internal security team to monitor these platforms and also has a back-up system in place in the event of a system outage.

• Engagement outcome: Henderson is changing its ESG rating from Green to Yellow, highlighting the materiality of ESG risks for the company but recognising that it is in the process of developing a new ESG framework. The manager will reassess the rating depending on the granularity of the framework; specifically, it is looking to see more focus on addressing the risk of water restrictions on the company’s business model, as well as providing additional clarity on the measurement of scope 3 emissions.

TwentyFour	37	ESG, carbon emissions, data collection, methods of lending	**Yorkshire Building Society (YBS)** • Engagement topic: The engagement was conducted in relation to YBS's new 'Brass 11' Residential Mortgage Backed Security transaction and came under TwentyFour's Carbon Emissions Engagement Policy, since YBS is lagging peers with respect to its ESG disclosures. Following the government's proposal for all UK homes to have a minimum EPC rating of C from 2035 (2025 for private landlords), TwentyFour wanted to understand: the issuer's plans to reach this target, what green products it offers to incentivise homeowner upgrades, when it plans to disclose Scope 3 financed emissions, and any plans to reinforce its net zero commitments through signing up to the Science Based Targets initiative (STBi) or the Net Zero Banking Alliance. • Engagement outcome: The manager discussed the reporting of Scope 3 emissions and learnt that YBS doesn't currently have a plan in place to report these but will consider it in the future. TwentyFour reiterated that it was particularly important for them to obtain this data. YBS doesn't have any green products, but it is looking at offering some in the near term, and TwentyFour highlighted it is lagging peers in this regard. There are now plans to improve the average EPC rating to C on owner occupied mortgages (the manager asked the issuer to focus on this given it intends to be in line with net zero for Scope 1 & 2 emissions by 2025 and the minimum EPC of C is to be in line with net zero). On the social side, the manager challenged YBS on its social-labelled securitisation and if it was doing anything differently; the lender has not changed its lending criteria and believe in its social label on the grounds that it targets underserved borrowers (i.e., self-employed borrowers who wouldn't be accepted by high street banks) and provides affordable housing. YBS doesn't have specific targets to increase social lending as a proportion of its total origination, since this is already part of what it does and all the proceeds of Brass 11 have already been allocated for social lending. YBS has significantly grown its ESG team, so TwentyFour does expect progress on the concerns it highlighted in the near future. There is plenty of scope for improvement, especially regarding net zero and green products. TwentyFour will continue to monitor progress and follow up in six months.

			BuyWay Personal Finance • Engagement topic: TwentyFour had an update meeting with BuyWay, a personal finance provider from Belgium. In the wake of rising inflation and higher rates, BuyWay began rejecting a higher proportion of borrowers during the application process and TwentyFour were looking for some clarity around these changes. The manager was also looking for an update on the performance of the existing pool with the increased cost of living pressures. Engagement outcome: BuyWay have tightened their lending criteria in response to economic conditions, leading to a fall in approvals. On their existing borrowers, they hadn't seen any specific trends on borrowers drawing of credit. BuyWay believe this is because of their borrower base, who tend to use their credit lines for the purchase of more durable goods and are yet to feel the need to draw on their credit facilities for day-to-day spending. As well as this, part of the impact is mitigated by Belgium's inflation linked salary increase of 11% in December, helping reduce cost pressures on consumers. This was a useful engagement to better understand affordability and the position of borrowers. BuyWay are taking a proactive approach in response to changing economic conditions, adapting their criteria and acting responsibly with regards to new originations.
Wellington	30	Energy transition risk, climate physical risk, democracy and social unrest, human capital and labour market, data transparency and quality, etc.	**East Asian Semiconductor Producer** • Engagement topic: Wellington engaged with an East Asian semiconductor producer on their carbon reduction plans. In preparation for potential upcoming sustainability linked bond and green bond issuance, the manager sought to learn more about the company's environmental plans which are a core tenet of their sustainability plan. • Engagement outcome: The company provided their current target to reduce GHG emission intensity (tCO2/100m gigabit) by 57% in 2026 versus a 2020 baseline. Wellington views this target as a significant improvement compared to their average 5% reduction between 2018-2021. The manager will continue to engage with the company on their progress toward achieving their GHG emission intensity target. **Turkish Renewable Energy Producer** • Engagement topic: Wellington engaged with a Turkish renewable energy producer on their carbon reduction plans given limited proactive reporting by the company on the topic.

- Engagement outcome: Through the engagement, Wellington learned that the company is involved in multiple environmental research and development projects, some in partnership with the EU, aimed at making geothermal energy more carbon-neutrality friendly. The result of the research being done by the company has the potential to result in not only carbon emissions reduction their own power plants, but also at other geothermal power plants through technology licensing. Wellington views this development as a material ESG positive for the company and have recommended that management improve ESG reporting, specifically around R and D projects, as the investor community is currently underinformed around the company's ESG strengths and progress on key milestones. Wellington will continue to engage with the company around their environmental research projects and improved ESG reporting.

[1]Total number of manager engagements for Insight has been provided on a manager level, rather than that specifically relating to the funds which the Scheme invests in.

[2]Engagements include all made by the Henderson Secured Credit Team.

Review of policies

The Trustee and its investment advisers remain satisfied that the responsible investment policies of the Scheme's investment managers and, where appropriate, those investment managers' voting policies remain suitable for the Scheme and are consistent with the Scheme's Statement of Investment Principles.