Travis Perkins Pension & Dependants' Benefit Scheme

Annual Report and Financial Statements
30 September 2020
Scheme Registration number 10121600

Contents

Section 1 – Trustee and its Advisers

The Trustee

The Trustee of the Scheme is a corporate Trustee, Cobtree Nominees Limited.

The individuals who served as a Director of Cobtree Nominees Limited during the year are set out below:

Independent Chair

Stella Girvin

Employer nominated	**Member nominated**
Mrs N McGowan (previously Bartley)	Graham Malpas
Mr J Harkness	Chris Shircore

Secretary to the Trustee	Andy Mills, Capital Cranfield Pension Trustees Limited
Investment Subcommittee Chair	Allan Whalley

Advisers

The advisers to the Trustee are set out below:

Actuary	A Tayyebi FIA of Mercer Limited (resigned 1 February 2020)
	R Shackleton FIA of Hymans Robertson LLP (appointed 7 February 2020)
Independent Auditors	Deloitte LLP
Legal Adviser	Gowling WLG (UK) LLP
Administrator	Capita Employee Solutions (until 3 July 2020)
	Hymans Robertson LLP (from 3 July 2020)
Investment Consultant	Mercer Limited (until 31 March 2021)
	XPS Pension Group (from 1 April 2021)
Investment Managers – Defined Benefit	Aberdeen Standard Investments
	Ares Management LLC (appointed 1 October 2019)
	Baillie Gifford Life Limited (until 8 July 2020)
	Insight Investment Management (Global) Limited
	Legal & General Investment Management Ltd
	M&G Alternatives Investment Management Limited
	Royal London Asset Management
Investment Manager – Defined Contributions	Aberdeen Standard Investments
Bankers	National Westminster Bank PLC (until 9 December 2020)
	Barclays Bank UK PLC (from 26 June 2020)

Section 1 – Trustee and its Advisers (continued)

AVC Providers	Abbey National Aberdeen Asset Aviva Clerical Medical Prudential Standard Life Utmost Life and Pensions Limited (From 01 January 2020), previously Equitable Life Assurance Society Zurich
Principal Employer	Travis Perkins plc

Custodians

Manager	**Mandate**	**Custodian**
BlackRock	Corporate Bonds	Bank of New York Mellon
	Pooled LDI	Northern Trust Fiduciary Services (Ireland) Limited
Insight	Broad Opportunities	State Street Custodial Services (Ireland) Ltd
	Buy & Maintain Credit	Bank of New York Mellon
	Liability Hedging	Bank of New York Mellon
	Secured Finance	Northern Trust Fiduciary Services (Ireland) Limited
	High Grade ABS	Northern Trust Fiduciary Services (Ireland) Limited
L&G	Global Equity (terminated 9 July 2020)	HSBC/Citibank N.A.
	Sterling Liquidity	
	HLV Property	HSBC
M&G	HLV Property	Kleinwort Benson (Guernsey) Limited
Aberdeen Standard	Diversified Growth	Citibank N.A.
Prudential M&G	Illiquid Credit	State Street Bank and Trust Company
Baillie Gifford	Long Term Global (terminated 8 July 2020)	Bank of New York Mellon
Royal London AM	Buy & Maintain Credit	Bank of New York Mellon
Ares Management LLC	Secured Income Fund	Bank of New York Mellon

Section 2 – Trustee's Report

The Trustee presents the report and audited financial statements of the Travis Perkins Pension & Dependants' Benefit Scheme ("the Scheme") for the year ended 30 September 2020.

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

Management of the Scheme

Constitution of the Scheme

The Scheme is primarily a final salary scheme, paying defined pension benefits and lump sum payments to members on their retirement in respect of their pensionable service with Travis Perkins plc, or any of its participating subsidiary companies or to their dependants on death before or after retirement. There are a small number of members with Money Purchase benefits. The Scheme closed to future accrual on 31 August 2018.

The Travis Perkins Pension & Dependents' Benefit Scheme is governed by a Consolidated Deed and Rules dated 31 March 2006.

Rules and Benefits

Details of the benefits which the Scheme provides for Members can be found in the explanatory booklet and the leaflet 'Looking to the Future'; copies of which can be obtained from the Secretary to the Trustee. Amendments to the Scheme are notified to Members by means of a notice giving details of the changes. The Scheme is governed by the rules as set out in the Trust Deed. From 1 February 2006 the Scheme closed to new entrants. From 1 April 2006 active members could pay pension contributions through salary sacrifice. From 1 December 2009, a 3% cap on increases to pensionable salary was introduced. From 31 August 2018 the Scheme closed to future accrual.

Management of the Scheme

Responsibility for setting the strategy and for managing the Scheme rests with the Trustee. The Trustee Directors who served during the year are listed on page 1.

The Trustee is required to act in accordance with the Scheme's Trust Deed and Rules within the framework of pensions and trust law. It is responsible for safeguarding the assets of the Scheme and for taking reasonable steps to prevent fraud and other irregularities.

The Occupational Pension Schemes (Member-Nominated Trustees and Directors) Regulations 2006 came into force on 6 April 2006 and prescribe the composition of trustee boards. Under the regulations, it is a requirement that at least one-third of the Scheme's Trustee Directors are nominated by the membership.

With the exception of the Member-Nominated Directors (MNDs), the principal employer, Travis Perkins plc, is responsible for the appointment and removal of the Trustee Directors who can choose to retire from office at any time. The Trustee Directors in office during the year of this report, and their advisers, are shown on page 1. During the year one meeting and four conference calls were held to consider matters relating to the Scheme.

Trustee's Report (continued)

Financial Development of the Scheme

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

The fund account shows that the net assets of the Scheme increased from £1,302,522,000 at 30 September 2019 to £1,329,208,000 at 30 September 2020. The increase in net assets is accounted for by:

	2020 £000	2019 £000
Principal Employer's and other contributions	1,937	1,888
Member related and other payments	(31,119)	(46,928)
Net withdrawals from dealings with members	**(29,182)**	**(45,040)**
Net returns on investments	55,868	223,057
Net increase in fund	**26,686**	**178,017**
Opening net assets available for benefits	1,302,522	1,124,505
Closing net assets available for benefits	**1,329,208**	**1,302,522**

Contributions

Contributions received from participating employers were paid in all material respects at least in accordance with the Schedule of Contributions. Various checks and controls are in place to track payment of these contributions and to ensure that payment is made consistently on time.

Changes to the Scheme

During the year A Tayyebi resigned as Scheme Actuary on 1 February 2020 and R Shackelton was formally appointed by the Trustees as his replacement 7 February 2020. During his resignation, A Tayyebi confirmed that they were not aware of any circumstances connected with his resignation which, in his opinion, affected the interest of members, prospective members or beneficiaries.

During the year, Hymans Robertson replaced Capita Employee Solutions as the Scheme Administrator.

Trustee's Report (continued)

Pension Increases

In accordance with the Scheme Rules, pensions in payment are increased as follows:

For all sections of the Scheme Guaranteed Minimum Pension (GMP) is increased in line with statutory contracted out requirements.

Pensioners who left service as members of the Standard (NRA60, 62 & 65), Ex-Archer, Executive, Sharpe and Fisher, and Sharpe and Fisher Active Director sections received a fixed rate of 3% on any pension in excess of GMP accrued prior to 6 April 1997, apart from members who elected to receive a Pension Increase Exchange at retirement who receive no increase. Pensions in payment relating to service from 6 April 1997 were increased in line with statutory requirements. Increases were granted on 1 September.

Pensioners who left service as members of the SAS section receive an increase in line with the annual increase in RPI subject to a minimum of 3% and a maximum of 5% on any pension in excess of GMP accrued prior to 1 January 2002. Pensions in payment relating to service form 1 January 2002 increase in line with the annual increase in RPI to a maximum of 5%. Increases were granted on 1 April.

For pensioners who left service as members of the Wickes Group Retirement Benefits Plan, pensions in payment in excess of GMP relating to service before 6 April 1997 were increased by 3%. Pensions in payment relating to service from 6 April 1997 were increased in line with the annual increase in the CPI, subject to a minimum increase of 3% and a maximum increase of 5%. Increases were granted on 1 April.

Pensioners who left service as members of the Ex-Tricom section receive an increase in line with the annual increase in RPI subject to a maximum of 5% on any pension in excess of GMP accrued prior to 6 April 2005. Pensions in payment relating to service from 6 April 2005 are increase in line with the annual increase in RPI subject to a maximum of 2.5%. Increases were granted on 1 April.

Pensioners who left service as members of the Ex-Broombys section receive an increase in line with the annual increase in RPI subject to a maximum of 5% on any pension in excess of GMP accrued prior to 6 April 1997. Pensions in payment relating to service from 6 April 1997 were increased in line with statutory requirements. Increases were granted on 1 January.

Pensioners who left service as members of the Ex-Newson section receive an increase in line with the annual increase in RPI subject to a maximum of 5% on any pension in excess of GMP accrued prior to 6 April 1997. Pensions in payment relating to service from 6 April 1997 were increased in line with statutory requirements. Increases were granted on the anniversary of the members retirement.

Pensioners who left service as members of the Ex-Keyline section receive an increase in line with the annual increase in RPI subject to a maximum of 3% on any pension in excess of GMP accrued prior to 6 April 1997. Pensions in payment relating to service from 6 April 1997 were increased in line with statutory requirements. Increases were granted on the anniversary of the members retirement.

In deferment, Wickes members receive an increase of 3% for each complete year and month between their date of leaving and their Normal Retirement Date on their pension in excess of GMP. On any pension accrued after 1 January 1985 they will receive statutory increases if greater.

All other Deferred members' preserved pensions were increased in accordance with statutory requirements. There were no discretionary increases.

Trustee's Report (continued)

Transfer Values Paid

Cash equivalents paid during the period were calculated and verified a prescribed in Section 94(1) of the Pension Schemes Act 1993. No allowance was made in the calculation for any discretionary benefits.

Members who leave the Scheme can normally take a transfer value of their benefits under the Scheme to their new employer's scheme or to a suitably approved pension arrangement with an insurance company. The transfer values paid out of the Scheme during the year under review, were calculated and verified in the manner required by the regulations and do not take account of any discretionary post retirement increases the members' pension might have received. Transfer values were paid in full.

Additional Voluntary Contributions (AVCs)

Members were able to make AVCs in order to secure greater benefits. Members invested their AVCs in the arrangements established with the AVC providers.

Members' AVCs, which are invested separately from the main fund, secure additional benefits on a money purchase basis. Members participating in these arrangements receive an annual statement confirming the amounts held in their AVC account.

Trustee's Report (continued)

COVID-19

During the year ended 30 September 2020 the emergence and spread of the new Coronavirus caused disruption and volatility in the financial markets. Due to the nature of its investments, the Scheme was largely protected from this volatility. The Trustee will continue to monitor developments and the potential impact on the Scheme investments.

The Scheme financial statements have been prepared on the going concern basis. In making this assessment, the Trustee has assessed the ability of the Employer to continue to meet its obligations to the Scheme and for the Scheme to meet its future obligations as they fall due. The Trustee has reviewed information available to it from the Employer and its advisors and as a consequence, the Trustee believes the Scheme is well positioned to manage its risks successfully. In light of this, the Trustee has a reasonable expectation that the Scheme will continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Scheme financial statements.

Global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations, and individual issuers, all of which may negatively impact the Scheme investment return and the fair value of the Scheme investments.

In accordance with the requirements of FRS 102 and the Pensions SORP the fair value of investments at the date of the statement of net assets reflects the economic conditions in existence at that date. The Trustee has evaluated all subsequent events or transactions for potential recognition or disclosure to the date on which these financial statements were signed and has determined that there were no additional subsequent events requiring adjustment to or disclosure in the Scheme financial statements.

BREXIT

The UK's membership of the European Union (EU) ended on 31 January 2020, although UK legal obligations based on EU law will largely remain the same until the end of transition period on 31 December 2020. During this transition period, the Trustee continues to monitor progress carefully and it is taking appropriate professional advice on the expected impact on the investment portfolio.

Trustee's Report (continued)

Report on Actuarial Liabilities

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

The most recent full actuarial valuation of the Scheme was carried out as at 30 September 2017. An update of the position was obtained as at 30 September 2019. These showed:

Funding position (£m)		
	Actuarial valuation as at 30 September 2017	**Actuarial report as at 30 September 2019**
	£m's	**£m's**
Technical Provisions	1,126.4	1,308.1
Assets (including AVCs and insured pensions)	1,095.9	1,299.0
Deficit	**(30.5)**	**(9.1)**

The full actuarial valuation as at 30 September 2020 is underway and is expected to be finalised and signed off before 31 December 2021.

The 2017 shortfall is being met by a combination of additional payments together with assumed investment returns on the Scheme's assets and an extension of the guaranteed payments from the SPV in place. Subsequently, the employer is paying deficit reduction contributions of £0.75m per annum until 30 September 2022.

In addition to these contributions, in June 2010, the Scheme acquired an SPV asset which is structured to provide the Scheme with a flow of rental income, backed by physical assets of the employer. Further details regarding the SPV asset are provided in note 12.10 to the financial statements. However, as part of the 2017 actuarial valuation it was agreed to amend the SPV to guarantee all of the payments, whereas the payments beyond 2021 were previously subject to a funding level trigger – allowing for the extra guaranteed payments would have increased the asset value at 30 September 2017 by £25.1m.

In addition, the employer directly pays the PPF levy and makes contributions towards the expenses of running the Scheme.

Further details on the contribution rates are given in note 4 to the financial statements. A copy of the most recent Schedule of Contributions together with the actuary's certification is given in Section 8.

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

Method

The actuarial method to be used in the calculation of the technical provisions is the projected unit method.

Trustee's Report (continued)

Report on Actuarial Liabilities (continued)

Principal actuarial assumptions applied in the valuation as at 30 September 2017

Discount Rate:

Until 2025	3.00% p.a.
Post-2025	2.30% p.a.

Future Retail Price inflation:

Until 2025	3.30% p.a.
Post-2025	3.40% p.a.

Future Consumer Price inflation:

Until 2025	2.30% p.a.
Post-2025	2.40% p.a.

Salary increases allowing for 3% p.a. cap:	2.75% p.a.

Deferred pension revaluation (until 2025/ post-2025):

CPI max 5%	2.30% p.a./ 2.40% p.a.
CPI max 2.5%	2.30% p.a./ 2.40% p.a.

Pension increases in payment (until 2025/ post-2025):

RPI max 5%	3.15% p.a./ 3.20% p.a.
CPI max 2.5%	2.15% p.a./ 2.15% p.a.
CPI max 3%	1.95% p.a./ 2.0% p.a.
CPI min 3%, max 5%	3.40% p.a./ 3.40% p.a.

Mortality:

S2PA YoB tables with CMI_2016 projected improvements with a long-term trend of 1.5% p.a., weighted by 90% for females only.

Significant actuarial assumptions

Discount rate: term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 1.2% per annum for the 8 years from 30 September 2017 to 30 September 2025, then reducing to an addition of 0.5% p.a. thereafter.

Future Retail Price inflation: term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date with a deduction of 0.1% per annum for the 8 years from 30 September 2017 to 30 September 2025.

Future Consumer Price inflation: term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 1.0% per annum.

Pension increases: derived from the term dependent rates for future retail and consumer price inflation, using the Black-Scholes model with a volatility assumption of 1.25% per annum, allowing for the relevant caps and floors on pension increases according to the provisions in the Scheme's rules.

Mortality: for the period in retirement, standard tables are used: S2PA Year of Birth tables with CMI_2016 projected improvements with a long-term trend of 1.5% p.a., weighted by 90% for females on.

Trustee's Report (continued)

Scheme Membership

The reconciliation of the Scheme membership during the year ended 30 September 2020 is shown below:

Pensioner Members (including spouses and dependants)	
As at 30 September 2019	4,735
Late Adjustments	27
Retirements	112
Deaths	(165)
Full commutation	(6)
New Beneficiaries	25
Pensioner members as at 30 September 2020	4,728

Included within the above are 34 (2019: 24) pensioners whose benefits are provided by annuities.

Deferred Pensioner Members	
As at 30 September 2019	5,283
Late Adjustments	(79)
Retirements	(112)
Deaths	(9)
Full Commutation	(6)
Transfers out	(18)
Deferred pensioner members as at 30 September 2020	5,059

Investment Policy

Introduction

The Travis Perkins Pension and Dependants' Benefit Scheme has two sections: a Defined Benefit ("DB") section and Defined Contribution ("DC") section.

Summary of Scheme's Investment Structure

All investments have been managed during the year under review by the investment managers as follows: Aberdeen Standard Investments ("Aberdeen Standard"), Ares Management LLC ("Ares"), Baillie Gifford Life Limited ("Baillie Gifford") (until 8 July 2020), Insight Investment Management (Global) ("Insight"), Legal & General Investment Management Limited ("LGIM"), M&G Investments ("M&G"), Royal London Asset Management ("RLAM"), The AVC providers are listed on page 2. There is a degree of delegation of responsibility for investment decisions with the investment managers.

The Trustee is responsible for determining the Scheme's investment strategy, although decision making in some areas is delegated to the Investment Sub-Committee ("ISC"). The ISC is a joint body operating across the Scheme and the BSS Group Pension Scheme. The Trustee has set the investment strategy for the Scheme after taking appropriate advice. The Trustee has delegated the day-to-day management of investments to professional external investment managers. These managers, which are regulated by the Financial Conduct Authority ("FCA") in the United Kingdom, manage the investments within the restrictions set out in the Statement of Investment Principles ("SIP") and Investment Implementation Policy Document ("IIPD"). Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal market sectors, the day-to-day management of the asset portfolio of the Scheme, including the full discretion for stock selection, is the responsibility of the investment managers.

The main priority of the Trustee when considering the investment policy for the Scheme is to aim to ensure that the benefits payable to members are met as they fall due.

DB Section

Investment Strategy

The Trustee is aiming to achieve a funding level of 100% on the Technical Provisions assumptions (as set out in the Section's Statement of Funding Principles) and thereafter to maintain 100% funding. Once full funding on Technical Provisions has been achieved, the Trustee then aims to achieve 100% funding with the liabilities discounted at gilts + 0.5% p.a. Note that from 30 September 2025 the Technical Provisions liabilities are discounted at gilts + 0.5% p.a., so the Technical Provisions liabilities will converge with the gilts + 0.5% liabilities over the period to 30 September 2025.

A further objective is for the DB Section's investment managers to meet their performance targets without operating outside their target range of tracking error.

Investment Policy (continued)

Current Strategy

The target investment strategy of the DB Section at the 30 September 2020 year-end is as follows:

- 35.0% in return seeking assets comprising High Lease to Value ("HLV") property, Diversified Growth funds and Secured Finance.
- 30.0% in Buy & Maintain corporate bonds, which are expected to modestly outperform the DB Section's liabilities over the long term whilst exhibiting some sensitivity to interest rates.
- 35.0% in a liability hedging portfolio designed to hedge a proportion of the movements in the liabilities due to changes in interest rate and inflation expectations. This portfolio also includes the investment with High Grade ABS fund implemented during the year of 2020.

In February 2020, within the Insight Liability Hedging portfolio, the Trustees introduced a collateral management framework, to include an investment into the Insight High Grade ABS fund, with the objective of investing excess collateral in a more efficient manner.

In June 2020, c.£76.8m in total was disinvested from the LGIM RAFI Global Equity (c.£26.3m) and Baillie Gifford LTGG (c.£50.5m), terminating these portfolios. This was following an improvement in the Scheme's Technical Provisions funding level to100%. These assets were transferred to the Insight Liability Hedging portfolio. As a result, the strategic target allocation to equities was reduced to 0% (2019: 5%) and the target allocation to the liability hedging portfolio was increased to 35% (2019: 30%).In late October 2020, the Scheme reached a de-risking trigger at 98.0% funding (on a Gilts+0.5% basis) and undertook further de-risking of the Scheme's assets by fully redeeming all of the Scheme's holdings with Aberdeen Standard GARS (c.£60m) and investing the proceeds between the RLAM Buy & Maintain Corporate Bonds (c.£22m) and Insight LDI (c.£38m) portfolios. The allocation to RLAM was to rebalance towards the benchmark allocation only, while the increase in the allocation to Insight was allocation strategic change in benchmark. During November 2020, and following the actuarial valuation exercise from September 2020, the preliminary results showed an improvement in the Scheme funding level to over 100% (on a Gilts+0.5% basis). The Trustee therefore further de-risked, by fully redeeming all of the holdings with the Insight Broad Opportunities fund (c.£57.5m), and invested the proceeds into the Insight LDI portfolio.

Following both de-risking actions, post year end, the allocation to Diversified Growth funds was reduced to 0% (2019: 10%), whilst the strategic allocation to the liability hedging portfolio increased to 45% (2019: 30%).

Investment Policy (continued)

The Myners Review and Code of Best Practice

The Myners Principles codify best practice in investment decision-making. While they are voluntary, the pension fund Trustee is expected to consider their applicability to it's own fund and report on a 'comply or explain' basis how they have used them.

The principles were initially published in 2001 following a Government sponsored review of institutional investment by Paul Myners, which found shortcomings in the expertise and organisation of investment decision-making by pension fund trustees.

In March 2008 the Government consulted on proposals to update the Myners principles. This led to the publication of a revised set of six principles for DB Schemes in October 2008, together with the establishment of an Investment Governance Group ("IGG") to oversee the industry-led framework for the application of the principles.

While there are now only six DB principles, in place of the original ten, their scope is largely unchanged. The principles continue to emphasise the essentials of investment governance, notably the importance of effective decision-making, clear investment objectives and a focus on the nature of each Scheme's liabilities. The principles also require that the Trustee includes a statement of the Scheme's policy on responsible ownership in the Statement of Investment Principles and report periodically to members on the discharge of these responsibilities. Over the year the Investment Sub-Committee ("ISC") reviewed the Scheme's compliance with the Myners Principles on the Trustee's behalf and considers that the Scheme's investment policies and their implementation are broadly in keeping with the revised principles.

DC Section

The DC Section's investments have been managed during the year under review by Aberdeen Standard.

Responsible Investment and Corporate Governance

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

ESG issues and climate change represent risks that ought to be managed appropriately, consistent with other risks faced by the Scheme. There may also be investment opportunities around ESG issues but the Trustee recognises it may be difficult to access these within their current and likely future investment strategies given the nature of the Scheme's investment arrangements.

The Scheme's assets are managed in both pooled and segregated arrangements and the Trustee accepts that the assets are subject to the investment managers' policies on ESG considerations (including climate change) relating to the selection, retention and realisation of investments. The ISC reviews the managers' ESG and Stewardship policies from time to time, including discussing these policies and how they have been implemented as part of the managers' attendance at meetings.

Investment Policy (continued)

Responsible Investment and Corporate Governance (continued)

Where investment is in pooled vehicles, the Trustee cannot direct the appointed investment managers on how to vote. The ISC reviews the voting policies of each of the pooled vehicles in which the Scheme invests from time to time to determine whether the managers’ policies are acceptable. Where assets are held on a segregated basis, the Trustee delegates the exercise of voting rights to the investment manager and the ISC reviews the managers’ policy on voting from time to time. The segregated assets are either invested via derivatives or are UK government bond related (where there are limited stewardship issues), or are credit mandates where there are generally few opportunities around voting.

The Scheme’s voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Scheme invests a large proportion of its assets in funds / mandates where ESG factors have varying degrees of materiality such as the Diversified Growth funds which generally invests in broad markets rather than individual stocks. The Scheme also has a high allocation to credit and bond assets where, whilst ESG issues are still relevant to risk control, there is less opportunity to influence investee company behaviour compared to equity holdings, although where relevant managers are encouraged to use their position as lenders of capital to engage with companies.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. The ISC will consider the ESG ratings provided by the Investment Consultant and how each investment manager embeds ESG factors into its investment process and how the investment manager’s responsible investment philosophy aligns with the Trustee’s responsible investment policy. The ISC will review the ESG rating provided by the Investment Consultant at least annually and will review these against the Investment Consultant’s database of ESG ratings for investment managers managing funds in the same asset class. A change in ESG rating does not mean that the fund will be removed or replaced automatically. Managers will also be expected to report on their own ESG policies as and when requested by the Trustee and ISC. The ISC will also consider ESG integration, climate change and stewardship when determining which mandates / funds to sell down as part of any future investment risk reduction exercises.

Equity managers who are FCA registered are expected to report to the Trustee on their adherence to the UK Stewardship Code on an annual basis.

The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future. A copy of our policy relating to ESG has been shared with the investment managers.

The Trustee does not take into account DB Section members’ views on “non-financial matters” (their ethical views, their views on ESG etc) and does not intend to take these into account in the future given the difficulty in determining members’ views and then applying these to a single scheme investment strategy (given members’ views across the thousands of members are likely to vary significantly).

The Trustee does not take into account DC Section or AVC members’ view on “non-financial matters” either, and do not intend to take these into account in the future given the difficult in determining members’ views

Investment Policy (continued)

Deployment of investments

Defined Benefit Section

The deployment of the Scheme's invested assets is shown in the table below:

Manager	Fund	30 September 2020 (%)	30 September 2019 (%)
Aberdeen Standard	Global Absolute Return Strategies	4.5	4.4
Ares	Secured Income Fund	4.5	4.7
Baillie Gifford	Long Term Global Growth*	-	2.2
Insight	Segregated Liability Hedging	28.1	36.9
	Secured Finance	2.8	2.9
	Broad Opportunities Fund	4.3	4.6
	High Grade Asset Backed Security**	11.5	-
	Segregated Buy & Maintain Credit	15.8	12.4
LGIM	Global Equity (RAFI – Hedged)**	-	2.3
	HLV Property	3.6	3.6
	Sterling Liquidity Fund*	-	-
M&G	Secured Property Income Fund	3.9	4.1
	Illiquid Credit Opportunities Fund II	5.1	5.4
RLAM	Segregated Buy & Maintain Credit	12.9	13.3
Mercer	SPV	2.7	3.0
Various	AVCs	0.3	0.2
Total DB Section		**100.0**	**100.0**

* Mandates were terminated on 8 July 2020 (Baillie Gifford) and 9 July 2020 (LGIM Global Equity and Sterling Liquidity Fund)

** Invested from February 2020

Figures subject to rounding.

Defined Contribution Section

The deployment of the Scheme's invested assets is shown in the table below:

Manager	Fund	30 September 2020 (%)	30 September 2019 (%)
Aberdeen Standard	ASI Life Multi-Asset Fund	100.0	100.0
Aberdeen Standard	Managed Fund	-	-
Aberdeen Standard	With Proftis Fund	-	-
Total DC Section		**100.0**	**100.0**

Figures subject to rounding.

Investment Policy (continued)

Review of Investment Performance

Defined Benefit Section

For periods to 30 September 2020, the DB Section's estimated total investment returns are set out in the table below. All returns are gross of investment management fees.

	30 September 2020 (% p.a.)		30 September 2019 (% p.a.)	
	1y	3y	1y	3y[(a)]
DB Section Total	**5.0**	**9.7**	**21.3**	**10.1**
Benchmark	**5.2**	**9.2**	**21.3**	**N/A**

Source: Estimated by Mercer, based on data from the DB Section's investment managers.

(a)Benchmark performance is not available over the 3 year period due to the change in the DB Section's investment strategy over the period.

With the exception of the Secured Finance and HLV property mandates, the Trustee regards all investments as readily marketable. Further detail is provided below:

- The Aberdeen Standard Global Absolute Return Strategies Fund is daily priced and traded;
- The M&G Secured Property Income Fund and the LGIM LPI Income Property fund are monthly priced. In line with the wider UK property market, CBRE removed the Material Uncertainty Clause from the M&G Secured Property Income Fund valuation in September 2020;
- The M&G Illiquid Credit Opportunities Fund II is quarterly priced and traded. Redemptions from the Fund are restricted until three years after the date of initial investment. Redemptions from the Insight Secured Finance Fund can be instructed on a quarterly basis, subject to a three month notice period (otherwise, the Fund is monthly priced). The Ares Secured Income Fund is quarterly priced and traded (although disinvestments can only be made after the fourth quarter after the subscription date);
- The Buy & Maintain corporate bond portfolios managed by Insight and RLAM are comprised of daily priced and traded securities and the Trustee is able to disinvest from these portfolios on a daily basis by giving the respective investment managers appropriate notice to do so;
- The Insight segregated Broad Opportunities Fund holds daily priced and traded units of the Broad Opportunities Fund;
- The segregated liability hedging portfolio managed by Insight is comprised of physical holdings, fixed interest and index-linked gilts, futures, interest rate swaps, repurchase agreements and liquidity funds. Insight High Grade ABS fund, used in the collateral management framework, is also daily dealt.

Investment Policy (continued)

Review of Investment Performance

DC Section

For periods to 30 September 2020, the DC Section's fund investment returns are set out in the table below. All returns are gross of investment management fees.

	Last Year		Last Three Years	
Fund	**Fund (%)**	**B'mark (%)**	**Fund (% p.a.)**	**B'mark (% p.a.)**
Multi-Asset Fund	**2.6**	**(2.7)**	**6.3**	**3.8**
Managed Fund	**(1.3)**	**(1.6)**	**1.1**	**0.8**
With Profits Fund	**4.0**	**(4.8)**	**4.0**	**(1.5)**

Source: Aberdeen Standard. Figures shown are gross of fees.

Investment Policy (continued)

Custodial arrangements

The Trustee is responsible for ensuring the DB Section's assets continue to be securely held. The Trustee reviews the custodial arrangements from time to time and the Scheme auditor is authorised to make whatever investigations it deems are necessary as part of the annual audit procedure.

The Trustee has appointed Bank of New York Mellon ("BNYM") as the DB Section's global custodian for the DB Section's segregated arrangements. The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments (except for assets held in pooled funds). Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments.

For the DB Section's pooled fund investments, the Trustee has no direct ownership of the underlying pooled funds or the underlying assets of the pooled funds. The policies, proposal forms, prospectuses and related principles of operation, set out the terms on which the assets are managed. The safekeeping of the assets within the pooled funds is performed on behalf of the representative investment managers by custodian banks specifically appointed to undertake this function and whose appointment is reviewed at regular intervals by the manager. The custodians as at the year-end are shown in the table below:

Manager	Mandate	Pooled/ Segregated	Custodian
Insight	Broad Opportunities Fund	Pooled	BNYM [1]
	Buy & Maintain Credit	Segregated	BNYM
	Liability Hedging	Segregated	BNYM
	High Grade ABS	Pooled	BNYM [1]
	Secured Finance	Pooled	BNYM [1]
LGIM	HLV Property	Pooled	HSBC
Aberdeen Standard	Global Absolute Return Strategies	Pooled	Citibank NA, Securities and Fund
M&G	Illiquid Credit Opportunities Fund II	Pooled	State Street Custodial Services (Ireland) Ltd
	Secured Property Income Fund	Pooled	Kleinwort Benson (Guernsey) Limited
RLAM	Buy & Maintain Credit	Segregated	BNYM
Ares	Secured Income Fund	Pooled	BNYM

Source: investment managers and the DB Section's custodian.

1 State Street Custodial Services (Ireland) Ltd is Insight appointed custodian for the pooled Broad Opportunities, while Northern Trust is Insight appointed custodian for the Secured Finance and the High Grade ABS funds. The DB Section's units in the pooled funds are held in a segregated account at the DB Section's appointed custodian, BNYM.

Investment Policy (continued)

Statement of Investment Principles

The Trustees have prepared a Statement of Investment Principles ("The SIP"), which sets out the principles governing how investments are chosen. A copy is available on request from:

Andy Mills
Capital Cranfield Trustees
Unit 15
Poplars Court
Lenton Lane
Nottingham
NG7 2RR
Email: travisperkins@cctl.co.uk

From 1 October 2020, new disclosure regulations came into effect which requires pension schemes to publish the SIP on a publically available website. A copy of the SIP is also available from:

https://www.travisperkinsplc.co.uk/about-us/governance

Employer Related Investments

Under the Pensions Act 1995 particular types of investment are classed as "employer-related investments" ("ERI"). Under laws governing ERI not more than 5% of the current value of Scheme assets may be invested in ERI (subject to certain specific exceptions). In addition, some ERI is absolutely prohibited, including an employer related loan or guarantee. In September 2010 the prohibition of ERI was extended to cover pooled funds. It should be noted that this prohibition does not cover pooled funds held in life wrappers, i.e. funds which are packaged in an insurance policy.

The Trustee reviews the Scheme's allocation to ERI on an on-going basis and is satisfied that the proportion of the Scheme's assets in ERI did not exceed 5% of the market value of the Scheme's assets as at 30 September 2020, and the Scheme therefore complies with legislative requirements. This will continue to be monitored annually. Furthermore, the Trustee has agreed with the relevant investment managers with whom segregated mandates are held to restrict ERI to zero.

Statement of Trustee's responsibilities

The audited financial statements, which are to be 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 requires the Trustee to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- 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 the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for:

- Assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so; and
- Making available each year, commonly in the form of a trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the Statement of Trustee's Responsibilities accompanying the Trustee's Summary of Contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

Statement of Trustee's Responsibilities in Respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that, once required, there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the Schedule.

Further Information

Internal Dispute Resolution (IDR) Procedures

It is a requirement of the Pensions Act 1995 that the Trustees of all occupational pension schemes must have an Internal Dispute Resolution Procedure (IDRP) in place for dealing with any disputes between the Trustee and the scheme beneficiaries. An IDRP has been agreed by the Trustee, details of which can be obtained by referring to the Scheme website or writing to the address below.

Contact for Further Information

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to:
Hymans Robertson
45 Church Street
Birmingham
B3 2RT
Email: travisperkins@hymans.co.uk

The Pensions Advisory Service and The Pensions Ombudsman

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

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

The Pensions Ombudsman can be contacted at:
10 South Colonnade
Canary Wharf
London
E14 4PU
Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk

Members can also submit a complaint form online:
www.pensions-ombudsman.org.uk/our-service/make-a-complaint/

If members have any general requests for information or guidance concerning their pension arrangements contact:
The Pensions Advisory Service
120 Holborn
London
EC1N 2TD
Tel: 0800 011 3797
www.pensionsadvisoryservice.org.uk

Further Information (continued)

The Pensions Regulator

The Pensions Regulator (TPR) has the objectives of protecting the benefits of members, promoting good administration and reducing the risk of claims on the Pension Protection Fund. TPR has the power to investigate schemes, to take action to prevent wrongdoing in or maladministration of pension schemes and to act against employers failing to abide by their pension obligations. TPR may be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW
www.thepensionsregulator.gov.uk

Pension Tracing Service

The Pension Schemes Registry has been replaced with the Pension Tracing Service and is now provided by the Department for Work and Pensions. Responsibility for compiling and maintaining the register of occupational pension schemes has been passed to The Pensions Regulator.

Contact details for the services are as follows:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU
www.gov.uk/find-pension-contact-details

Approval of the Report by the Trustee

The Trustee's Report was approved by the Trustee of the Travis Perkins Pension & Dependants' Benefit Scheme, and signed for and on their behalf by:

Stella Girvin, Chair of Trustee

G. Malpas

Graham Malpas, Trustee Director

31st March 2021

Section 3 – Independent Auditors' Report to the Trustee of the Travis Perkins Pension & Dependants' Benefit Scheme

Report on the audit of the Financial Statements

Opinion

In our opinion the financial statements of Travis Perkins Pension & Dependants' Benefit Scheme (the "Scheme"):

- Show a true and fair view of the financial transactions of the Scheme during the year ended 30 September 2020, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- Contain the information specified in Regulation 3A of, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements which comprise:

- The Fund Account;
- The Statement of Net Assets (available for benefits); and
- The related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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

We are required by ISAs (UK) to report in respect of the following matters where:

- The Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditors' Report to the Trustee of the Travis Perkins Pension & Dependants' Benefit Scheme (continued)

Other information

The Trustee is responsible for the other information. 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

Responsibilities of the Trustee

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

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

Auditors' responsibilities for the audit of the financial statements

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

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.

Independent Auditors' Report to the Trustee of the Travis Perkins Pension & Dependants' Benefit Scheme (continued)

Scope of the Audit of the Accounts

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

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 this 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.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom
Date: 31 March 2021

Section 4 – Financial Statements

Fund Account for year ended 30 September 2020

	Notes	2020 £000	2019 £000
CONTRIBUTIONS AND BENEFITS			
Contributions	4	**1,937**	1,888
Benefits paid or payable	5	**(26,560)**	(28,898)
Payments to and on account of leavers	6	**(3,724)**	(17,052)
Other payments	7	**(9)**	-
Administrative expenses	8	**(826)**	(978)
		(31,119)	(46,928)
Net withdrawals from dealings with members		**(29,182)**	(45,040)
RETURNS ON INVESTMENTS			
Investment income	10	**30,408**	11,826
Change in market value of investments	12	**26,864**	213,770
Investment management expenses	11	**(1,404)**	(2,539)
Net returns on investments		**55,868**	223,057
Net increase in the fund		**26,686**	178,017
Net Assets of the Scheme at start of year		**1,302,522**	1,124,505
Net Assets of the Scheme at end of year		**1,329,208**	1,302,522

The notes on pages 28 to 47 form part of these financial statements.

Financial Statements (continued)

Statement of Net Assets (available for benefits) as at 30 September 2020

	Notes	2020 £000	2019 £000
Investment assets:			
Bonds	12	**1,571,284**	1,486,972
Pooled investment vehicles	12	**546,354**	387,579
Derivatives	12	**13,117**	9,306
Amounts receivable under Reverse Repurchase Agreements	12	**123,937**	-
SPV Asset	12	**34,100**	38,900
AVC investments	12	**4,131**	4,045
Investment debtor	12	**12,325**	25,798
Cash deposits	12	**4,170**	5,902
Cash in transit – Ares	12	**-**	61,310
		2,309,418	2,019,812
Investment liabilities:			
Derivatives	12	**(27,635)**	(9,339)
Amounts payable under Repurchase Agreements	12	**(956,233)**	(710,522)
		(983,868)	(719,861)
Total net investments		**1,325,550**	1,299,951
Current assets	13	**5,501**	3,853
Current liabilities	14	**(1,843)**	(1,282)
Total Net Assets (available for benefits) of the Scheme		**1,329,208**	1,302,522

The notes on pages 28 to 47 form part of these financial statements.

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

Signed for and on behalf of the Trustee of the Travis Perkins Pension & Dependants' Benefit Scheme:

Stella Girvin, Chair of Trustee

Graham Malpas, Trustee Director 31st March 2021

Section 5 – Notes to the Financial Statements

Notes to the financial statements for the year ended 30 September 2020

1 BASIS OF PREPARATION

The individual financial statements the Travis Perkins Pension & Dependants' Benefit Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ('FRS 102') and the guidance set out in the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (Revised June 2018) ('the SORP').

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements. However, it has required certain additions to or amendments of disclosures in the financial statements.

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as they believe that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months from the date of approval of the financial statements. In reaching this conclusion, the Trustee considered the impact of the COVID 19 outbreak and has taken into account plausible downside assumptions of the sponsoring employer to gain comfort that it will continue to make contributions as they fall due.

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is: Hymans Robertson, 45 Church Street, Birmingham, B3 2RT.

3 ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied during the year, are set out below:

3.1 Contributions

Deficit contributions are accounted for in the period they are due under the Schedule of Contributions.

Other contributions made by the employer to reimburse costs and levies payable by the Trustee are accounted for on the same basis as the corresponding expense.

3.2 Additional Voluntary Contributions (AVCs)

AVCs are accounted for on an accrual basis, in the same way as other contributions, and the resulting investments are included in the net assets statement.

3.3 Benefits

Pensions payable in respect of the Scheme year are accounted for by reference to the period to which they relate. Refunds and lump sums are accounted for by reference to the later of the date of retirement or leaving the Scheme, or the date the option is exercised. Benefits taken are reported gross of any tax settled by the scheme on behalf of the member.

Notes to the financial statements for the year ended 30 September 2020 (continued)

3 ACCOUNTING POLICIES (CONTINUED)

3.4 Transfers to and from other Schemes

Transfer values relating to early leavers are included at values determined by the Actuary advising the Trustee. Transfers are accounted for when the receiving scheme has accepted the liability and the amount can be determined with reasonable certainty.

3.5 Administrative and other expenses

Administrative expenses are accounted for on an accrual basis. The Scheme bears all the costs of administration and during the period the Employer paid extra contributions in respect of expenses.

3.6 Investment income

Income from cash and short-term deposits is accounted for on an accrual basis.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Income from bonds is accounted for on an accrual basis and includes interest bought and sold on investment purchases and sales.

Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in Market Value'.

Receipts from annuity policies held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accrual basis.

3.7 Investments

Annuity policies, if material, are valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent funding valuation assumptions updated for market conditions at the reporting date. Income arising from annuity policies is included in investment income and the pensions paid included in pensions payments. The Trustee has concluded that the annuities are not material and so have not been valued.

Under FRS 102, annuity policies are reported at the value of the related obligation to pay future benefits funded by the annuity policy. The Trustee has determined that there are no material annuity policies held in the name of the Trustee. Investments in overseas currencies are translated into sterling at the exchange rates ruling at the year end.

Investments are included at fair value.

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

Quoted securities are valued at the bid market price at the close of business. Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income. Unquoted securities are included at fair value estimated by the Trustee based on advice from the investment manager.

Bonds are valued by valuation techniques that use observable market data.

Notes to the financial statements for the year ended 30 September 2020 (continued)

3 ACCOUNTING POLICIES (CONTINUED)

3.7 Investments (continued)

Pooled investment vehicles are stated at closing bid price for funds with bid/offer spreads, or, if single priced, at the closing single price. Holdings in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Derivatives are stated at fair value.

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

The Scheme's Special Purpose Vehicle (SPV) is valued at an appropriate fair value based on the discounted guaranteed cash flows, taking into account any changes to anticipated returns on investments, the gilt yield, the risk premium and CPI. Details of the SPV are given in note 12.10 to the financial statements. The methodology of valuing the SPV has been proposed by Mercer on behalf of the Trustee, and is consistent with the prior year. Cashflows are payable by the SPV to the Scheme on an annual basis and recognised as an investment sale due the holding being an amortised asset.

AVC investments are included at the value given by the AVC provider.

Investments include all cash held by investment managers and available for investment.

Where bonds are sold subject to contractual agreements ('repurchase agreements') for the repurchase of equivalent securities, the securities sold are accounted for within their respective investment classes as if they have been held at the year-end market value. The contracts to buy back the equivalent securities, the Repurchase Agreements, are accounted for as an investment liability and the market value reported is the cash received from the counterparty at the opening of the agreements.

Where bonds are bought subject to contractual agreements ("reverse repurchase agreements") for the resale of equivalent securities, the securities bought are excluded from their respective investment classes. The contracts to sell back the equivalent securities, the reverse repurchase agreements, are accounted for as an investment asset and the market value reported is the cash paid to the counterparty at the opening of the agreements.

The Scheme recognises assets delivered out under repurchase contracts. Cash received from repurchase contracts is recognised as an investment asset and an investment liability is recognised for the value of the repurchase obligation. Cash delivered under reverse repurchase contracts is recognised as an investment receivable in the financial statements. Securities received in exchange are disclosed as collateral supporting this receivable but not included as Scheme assets.

Notes to the financial statements for the year ended 30 September 2020 (continued)

3 ACCOUNTING POLICIES (CONTINUED)

3.7 Investments (continued)

Investment management expenses are accounted for on an accrual basis. Acquisition costs are included in the purchase cost of investments.

3.8 Presentation Currency

The Scheme's functional and presentation currency is pounds Sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the year end. Foreign currency transactions are recorded in Sterling at the spot exchange rate at the date of the transaction.

4 CONTRIBUTIONS

	Total 2020	Total 2019
	£000	£000
Deficit funding	**750**	750
Employer additional contributions re expenses	**1,187**	1,138
	1,937	1,888

The Scheme closed to future accrual from 31 August 2018.

From 1 January 2019 to 30 September 2022, the Employer will pay deficit funding of at least £750k per annum

The Employer will pay contributions to cover the management and administration of expenses incurred by the Scheme. For the calendar year 2019, this was £1,000k. For the calendar year 2020, this was £1,280k.

5 BENEFITS PAID OR PAYABLE

	Total 2020	Total 2019
	£000	£000
Pensions payable	**22,891**	23,625
Commutations of pensions and lump sum retirement benefits	**3,668**	5,043
Lump sum death benefits	**1**	230
	26,560	28,898

Notes to the financial statements for the year ended 30 September 2020 (continued)

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Total 2020	Total 2019
	£000	£000
Individual transfers to other schemes	**3,724**	16,977
Refunds of contributions in respect of non-vested leavers	**-**	75
	3,724	17,052

7 OTHER PAYMENTS

	Total 2020	Total 2019
	£000	£000
Irrecoverable VAT	**9**	-

The principal employer reclaims VAT on behalf of the Scheme. Irrecoverable VAT arises due to the employer being restricted in the amount of VAT it can reclaim. During the year £9,500 was written off as irrecoverable, the 2019 comparative figure is unavailable.

8 ADMINISTRATIVE EXPENSES

	Total 2020	Total 2019
	£000	£000
Administration and processing	**528**	355
Actuarial and consulting fees	**272**	606
Audit Fee	**26**	17
	826	978

From 2017 administration expenses were paid by the Scheme, the annual contribution is £1,187k (2019: £1,138k).

In accordance with the Schedule of Contributions, the employer directly met the PPF levies in 2019 and 2020.

9 TAX

The Travis Perkins Pension & Dependants' Benefit Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate (see Note 10).

Notes to the financial statements for the year ended 30 September 2020 (continued)

10 INVESTMENT INCOME

	Total 2020	Total 2019
	£000	£000
Compensation	**-**	7
Income from pooled investment vehicles	**7,126**	1,560
Income from bonds	**28,296**	10,382
Interest on cash deposits	**10**	6
Bank interest	**8**	13
Annuity income	**193**	212
Loss on foreign exchange	**-**	(342)
Interest payable on swaps or repurchase agreements	**(5,225)**	(12)
	30,408	11,826

11 INVESTMENT MANAGEMENT EXPENSES

	Total 2020	Total 2019
	£000	£000
Administration, management and custody	**1,404**	2,539

Investment fees for the other fund managers are adjusted for within the unit prices of each fund.

Notes to the financial statements for the year ended 30 September 2020 (continued)

12 INVESTMENTS

12.1 INVESTMENT RECONCILIATION

	Opening value	*Purchase cost and derivative payments*	*Sales proceeds and derivative receipts*	*Change in market value*	*Closing value*
	£000	**£000**	**£000**	**£000**	**£000**
Bonds	**1,486,972**	320,790	(250,170)	13,692	**1,571,284**
Pooled investment vehicles	**387,579**	480,337	(338,347)	16,785	**546,354**
Derivatives	**(33)**	68,965	(80,966)	(2,484)	**(14,518)**
SPV asset	**38,900**	-	(3,490)	(1,310)	**34,100**
AVC investments	**4,045**	-	(95)	181	**4,131**
	1,917,463	870,092	(673,068)	26,864	**2,141,351**
Cash deposits	**5,902**				**4,170**
Cash in transit	**61,310**				**-**
Repurchase agreements	**(710,522)**				**(832,296)**
Investment debtor	**25,798**				**4,498**
Other investment balances	**-**				**7,827**
TOTAL NET INVESTMENTS	**1,299,951**				**1,325,550**

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Indirect transaction costs are incurred through the bid-offer spread on investments held within pooled investment vehicles.

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.2 POOLED INVESTMENT VEHICLES (PIV)

The holdings of PIVs are analysed below:

	2020	2019
	£000	£000
Equities	**-**	57,849
Property	**98,897**	100,267
Global Bonds	**189,804**	38,258
Diversified Growth Fund	**117,444**	116,990
Illiquid Credit	**67,802**	70,452
Private Debt	**59,128**	-
Liquidity	**12,279**	3,763
	546,354	387,579

12.3 ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) INVESTMENTS

The Trustee holds assets invested separately from the main Defined Benefit Section investments to secure additional benefits on a money purchase basis for those Defined Benefit Section members who previously elected to pay additional voluntary contribution. This also includes assets invested separately in respect of a small number of members who have no final salary benefits but where money purchase funds are held within the Scheme. From May 2007 members were no longer permitted to make additional voluntary contributions through the Scheme.

The aggregate amounts of AVC investments are as follows:

	2020	2019
	£000	£000
Utmost Life	**507**	468
Prudential	**311**	306
Zurich	**3**	11
Abbey National	**7**	7
Aviva	**16**	16
Clerical Medical	**607**	621
Standard Life	**1,436**	1,387
Aberdeen Asset	**1,244**	1,229
	4,131	4,045

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.4 DERIVATIVES

Objectives and policies

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

The main objectives for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

- Swaps – The Trustee's aim is to match off the Scheme's long-term liabilities with its fixed income assets, in particular in relation to the liabilities' sensitivities to interest rate movements. The Trustee has entered into interest rate swaps to better align the Scheme's assets to the long-term liabilities of the Scheme.
- Forward foreign exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investors to the targeted level.

	2020		2019	
	Assets £000	**Liabilities £000**	Assets £000	Liabilities £000
Swaps	**11,951**	**(26,217)**	7,311	(8,784)
Forward foreign exchange	**1,166**	**(1,418)**	1,995	(555)
	13,117	**(27,635)**	9,306	(9,339)

Swaps

The Scheme had derivative contracts outstanding at the year-end relating to its LDI fixed interest investment portfolio. These contracts were traded over the counter (OTC). The details are:

Nature	**Number of Contracts**	**Notional Principal £000**	**Duration**	**Asset value at year end £000**	**Liability value at year end £000**
Interest rate swap	76	465,300	2020-2049	11,951	(26,217)
Total 2020				**11,951**	**(26,217)**
Total 2019				7,311	(8,784)

At 30 September 2020, collateral of £17.7m (2019: £5.1m) was pledged and collateral of nil (2019: £5.6m) was held in relation to outstanding swap contracts. Collateral pledged consisted of £17.7m (2019: £5.1m) of UK Government bonds. Collateral held consisted of nil (2019: £1.1m) of cash and nil (2019: £4.6m) of UK Government bonds.

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.4 DERIVATIVES (CONTINUED)

Forward Foreign Exchange (FX)

The Scheme had open FX contracts at the year-end relating to its currency hedging strategy as follows:

Nature	Currency Bought £000	Currency Sold £000	Settlement Date	Asset value at year end £000	Liability value at year end £000
Buy GBP sold EURO	30,845	(30,997)	3 months	-	(152)
Buy GBP sold USD	183,050	(184,102)	3 months	-	(1,052)
Buy USD sold GBP	30,285	(30,499)	3 months	-	(214)
Other	1,166	-	3 months	1,166	-
Total 2020				**1,166**	**(1,418)**
Total 2019				1,995	(555)

12.5 CONCENTRATION OF INVESTMENTS

The table below provides an overview of the Scheme's pooled investments that represented more than 5% of the total invested assets as at 30 September 2020.

	2020		2019	
	£000	**% of net assets**	£000	% of net assets
Insight High Grade ABS Fund	**152,075**	**11.4**	-	-
M&G Illiquid Credit Opportunities Fund	**67,802**	**5.1**	70,452	5.0

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.6 INVESTMENT TRANSACTION COSTS

Indirect transaction costs are incurred through bid-offer spread on investments within pooled investment vehicles. Direct transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation above. It has not been possible for the Trustee to quantify the direct and indirect costs for the Scheme.

12.7 REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date:

	2020	2019
	£000	£000
Contracts held under reverse repurchase agreements	123,937	-
Contracts held under repurchase agreements	(956,233)	(710,522)
	(832,296)	(710,522)

At 30 September 2020, collateral of £5.8m (2019: £23.3m) was pledged in relation to outstanding repurchase agreements, and collateral of £3.0m (2019: nil) was held in relation to outstanding repurchase agreements All of this collateral was in UK Government bonds.

12.8 CASH AND OTHER NET INVESTMENT BALANCES

	2020	2019
Cash	£000	£000
Cash Deposits – Sterling	4,300	5,426
Cash Collateral – Overseas	(130)	476
	4,170	5,902

	2020	2019
Investment debtor	£000	£000
Pending transactions	4,498	25,798

	2020	2019
Other investment balances	£000	£000
Accrued investment income	7,872	-

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.9 INVESTMENTS FAIR VALUE HIERARCHY

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

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the assessment 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 categories as follows:

As at 30 September 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Bonds	**-**	**1,571,284**	**-**	**1,571,284**
Pooled investment vehicles	**12,278**	**307,248**	**226,828**	**546,354**
Derivatives	**(255)**	**(14,263)**	**-**	**(14,518)**
SPV asset	**-**	**-**	**34,100**	**34,100**
AVC investments	**-**	**3,897**	**234**	**4,131**
Cash	**4,170**	**-**	**-**	**4,170**
Cash in transit	**-**	**-**	**-**	**-**
Repurchase agreements	**-**	**(832,296)**	**-**	**(832,296)**
Investment debtor	**12,325**	**-**	**-**	**12,325**
	28,518	**1,035,870**	**261,162**	**1,325,550**

As at 30 September 2019	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Bonds	-	1,486,972	-	1,486,972
Pooled investment vehicles	3,763	213,096	170,720	387,579
Derivatives	1,440	(1,473)	-	(33)
SPV asset	-	-	38,900	38,900
AVC investments	-	2,155	1,890	4,045
Cash	5,902	-	-	5,902
Cash in transit	61,310	-	-	61,310
Repurchase agreements	-	(710,522)	-	(710,522)
Investment debtor	25,798	-	-	25,798
	98,213	990,228	211,510	1,299,951

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.10 SPV ASSET

	2020	2019
	£000	£000
SPV asset	34,100	38,900

In June 2010 the Scheme acquired an SPV asset which is structured to provide the Scheme with a flow of rental income, backed by physical assets of the employer. The asset was originally acquired for £34.7m and represents a schedule of guaranteed cash-flow paid annually in arrears from February 2011 to June 2030.

Should the SPV default on payments to the Scheme, the Scheme can seek to recover the lower of the existing deficit on a Buyout (section 75) basis and the asset value of the SPV from the employer.

The valuations as at 30 September 2019 and 30 September 2020 are for the guaranteed cash flows element of the SPV valuation only.

12.11 INVESTMENT RISKS

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

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

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

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

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report for the Defined Benefit Section and Defined Contribution Section. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios. The investment objectives and processes in place to monitor and manage risks of the Scheme are further detailed in the Statement of Investment Principles ("SIP") and the Investment Implementation Policy Document ("IIPD").

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

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.11 INVESTMENT RISKS (CONTINUED)

Market risk

Currency risk

The Scheme is subject to direct currency risk where assets denominated in overseas currencies are held in segregated mandates. The Trustee has opted to hedge all of the overseas currency exposure in the segregated mandates back to Sterling; direct currency exposure at the year-end was 0.0% (2019: 0.0%).

Indirect currency risk arises from the Scheme investments in two Diversified Growth funds, which consist of underlying investments across a range of asset class and regions (and therefore foreign currencies), which further exposes the Scheme to indirect currency risk. The funds are Sterling priced, however the managers may use underlying currency exposures as part of its investment strategy.

The Scheme investments in the Secured Finance (including the High Grade ABS) funds have all foreign currency exposure hedged back to GBP.

Interest rate risk

The Scheme is subject to direct interest rate risk because some of the Scheme's investments are held in government bonds, repurchase agreements, interest rate and bond derivatives and cash, as segregated investments.

The Trustee has set a benchmark for total investment in liability hedging assets of 35.0% (2019: 30.0%) of the total investment portfolio, as part of its liability driven investment ("LDI") strategy. Under this strategy, if interest rates fall, all else being equal, the value of these investments should rise to help match the increase in the value placed on the liabilities arising from a fall in the discount rate (which is derived from market interest rates). Similarly, if interest rates rise, all else being equal, these investments should fall in value, as should the value placed on the liabilities because of an increase in the discount rate.

At the year end, the liability hedging portfolio, managed by Insight Investment Management ("Insight"), represented c.40.8% of the total investment portfolio (2019: 38.1%). As at year end 2020, the hedge ratio of the Scheme's inflation linked-liabilities on the Trustee's liability hedging basis (gilts + 0.5%p.a.) was c.90.0% (2019: c.89.7% on gilts + 0.5%p.a.) in line with the target of 90.0%. The hedge ratio of the Scheme's interest linked-liabilities on the Trustee's liability hedging basis (gilts + 0.5%p.a.) was c.89.0% (2019: c.89.1% on gilts + 0.5%p.a.) in line with the target of 90.0%.The interest rate sensitivity within the Royal London Asset Management ("RLAM") Buy & Maintain credit portfolio is taken into account by Insight in the hedging arrangements.

The Scheme also has further indirect exposure to interest rate risk through investments in Diversified Growth and Secured Finance (including the High Grade ABS) funds. In the case of the Diversified Growth funds, the interest rate exposure that these funds introduce is taken by the respective investment managers as part of their investment strategies to add value. The interest rate sensitivity within the Secured Finance (including the High Grade ABS) mandates is limited as the underlying investments are predominantly floating rate in nature. Any interest rate sensitivity from these two asset classes is therefore not allowed for in Insight's liability hedging arrangements.

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.11 INVESTMENT RISKS (CONTINUED)

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking assets which include two Diversified Growth funds, HLV property and Secured Finance (including the High Grade ABS) through underlying investments in pooled investment vehicles.

The Scheme has set a target asset allocation of 35.0% of investments being held in return seeking investments (although the 15.0% allocation to Secured Finance (excluding the High Grade ABS) included within this is also a fixed income asset but with growth like properties and hence discussed further below in the Credit Risk section). Despite the High Grade ABS is not part of the return seeking portfolio, it is included in the Credit Risk section along with the Secured Finance mandates. The Trustee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and asset classes.

At the year end, the Scheme's return seeking assets represented c.29.7% of total assets (2019: 35.4%). The Scheme is underweight in return seeking assets relative to the benchmark allocation as at 30 September 2020.

Credit risk

The Scheme is subject to direct credit risk because the Scheme invests in bonds, over-the-counter ("OTC") derivatives, has cash balances and enters into repurchase agreements through its segregated investments. As at the year end, the Scheme had exposure to c.£1,522.0m of investment grade bonds, related derivatives and cash (2019: £1,521.4m) and c.£ 6.3m of non-investment grade corporate bonds (2019: £4.0m) in segregated vehicles.

The Scheme also invests in pooled investment vehicles which may invest in sovereign government bonds and corporate bonds. The total value of pooled investment vehicles at year end exposed to indirect credit risk amounted to c.£534.6m (2019: c.£445.4m).

The pooled investment arrangements used by the Scheme are structured as unit-linked insurance contracts, limited partnerships, Qualifying Investor Alternative Investment Funds ("QIAIFs") and Open Ended Investment Companies ("OEICs"). The Scheme is therefore directly exposed to credit risk arising from these pooled investment vehicles and is indirectly exposed to credit risks arising on the underlying investments held by these pooled investment vehicles.

Indirect credit risk also arises in respect of the Scheme's allocation to Secured Finance (including the High Grade ABS) and HLV property, as a high proportion of the value of the underlying investments held within the pooled funds are in relation to rental income whose payment is subject to the solvency of the leaseholders. The investment managers are responsible for controlling this credit risk by monitoring the credit quality of tenants.

In addition, the notes below provide more detail on how this risk is managed and mitigated for the different asset classes.

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.11 INVESTMENT RISKS (CONTINUED)

Government bonds

Credit risk arising on government bonds held directly and within pooled funds is mitigated by investing specifically in government bonds whereby the credit risk is deemed minimal. Some of the Buy & Maintain credit, Diversified Growth and Secured Finance (including the High Grade ABS) funds may invest in government bonds where credit risk is taken as part of the strategy to add value or for liquidity management purposes.

Corporate bonds

Credit risk arising on corporate bonds held within the underlying pooled funds (Diversified Growth, and Secured Finance (including the High Grade ABS) funds) and those held directly (in the segregated Buy & Maintain corporate bond mandates managed by Insight and RLAM) is mitigated by the portfolios being mainly invested in corporate bonds which are rated at least investment grade. The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's.

Non-investment grade bonds

Credit risk arising on non-investment grade bonds held directly is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer. Should more than 10% of the Insight Buy & Maintain credit portfolio be invested in non-investment grade corporate bonds, the manager will discuss further action with the Trustee. The RLAM portfolio has a limit of 15% of the total portfolio being invested in non-investment grade bonds. The pooled Diversified Growth and Secured Finance (including the High Grade ABS) funds may also invest in non-investment grade bonds as part of their strategies to add value.

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

	2020	2019
	£000	£000
Unit Linked Insurance Contracts	**159,859**	186,796
Qualifying Investor Alternative Investment Fund	**105,531**	108,710
Authorised Unit Trusts	**57,483**	88,310
Open Ended Investment Company	**164,353**	3,763
Shares of Limited Liability Partnerships	**59,128**	-
	546,354	387,579

Cash balances

Credit risk arising on cash held within financial institutions is mitigated by ensuring cash is held with a diversified range of institutions which are at least investment grade credit rated.

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.11 INVESTMENT RISKS (CONTINUED)

Derivatives

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter ("OTC"). Exchange traded instruments have minimal credit risk as they are arranged via a central counterparty.

OTC derivative contracts are not guaranteed by any regulated exchange and therefore the pooled funds and segregated mandates holding these contracts are subject to risk of failure of the counterparty. The credit risk for OTC derivatives is reduced by collateral arrangements at the discretion of the appointed investment manager.

The ISC, on behalf of the Trustee, have also agreed restrictions with Insight in their investment guidelines set out in the investment manager agreement ("IMA") for the LDI portfolio. These set out limits for transacting with particular counterparties, prevents excessive exposure to an individual counterparty and requires a minimum level of credit quality for the approved counterparties.

The information about exposures to and mitigation of credit risks as detailed above applied at both the current and previous year end.

Repurchase agreements

Credit risk on repurchase agreements is mitigated through collateral arrangements at the discretion of the appointed investment manager. The ISC have also set out certain limits with respect to repurchase agreements within Insight's LDI portfolio guidelines.

Vehicle Structure

The pooled investment arrangements used by the Scheme comprise unit-linked insurance contracts (L&G LPI Income Property Fund, Aberdeen Standard GARS and the M&G Secured Property Income Fund), OEICs (Insight Broad Opportunities Fund and the High Grade ABS Fund), a limited partnership (the Ares Secured Income Fund LP) and QIAIFs (M&G Illiquid Credit Opportunities Fund II and Insight Secured Finance).The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustee manages and monitors the credit risk arising from the Scheme's pooled investments by considering the nature of the arrangement, the legal structure, and regulatory environment.

Direct credit risk arising from the pooled investments in the OEICs, the limited partnership and the QIAIFs is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled managers, and the regulatory environments in which the pooled managers operate. Cash held by the pooled managers' custodians is ring-fenced where possible. Where this is not possible, the credit risk arising is mitigated by the use of regular cash sweeps (typically daily) and investing cash in liquidity funds.

Direct credit risk arising from pooled investment vehicles structured as unit-linked insurance contracts is mitigated by capital requirements and the Prudential Regulatory Authority's regulatory oversight. In the event of default by the insurer, the Scheme may be protected by the Financial Services Compensation Scheme and may be able to make a claim for up to 100% of its policy value, although noting that compensation is not guaranteed. The Trustee carries out due diligence checks on the appointment of new pooled investment managers, and on an ongoing basis monitors any changes to the operating environment of the pooled managers.

Both the pooled and segregated vehicles may hold units within other pooled arrangements. The Trustee has considered the impact of these arrangements in relation to the Scheme's exposure to failure by the sub-funds or reinsurers who may have different regulatory or insolvency protections compared to the pooled investment made directly by the Scheme.

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.11 INVESTMENT RISKS (CONTINUED)

DC Section

Manager	Fund Name
Aberdeen Standard (formerly Aberdeen Asset Management)	Multi-Asset Fund
Aberdeen Standard (formerly Aberdeen Asset Management)	Managed Pension Fund
Aberdeen Standard (formerly Aberdeen Asset Management)	Heritage With Profits Fund

The day-to-day management of the underlying investments of the funds is the responsibility of Aberdeen Standard, including the direct management of credit and market risks.

All investments with Aberdeen Standard are pooled funds and denominated in Sterling.

Credit & Market Risk

The Scheme is subject to indirect credit risk, indirect currency, interest rate and other price risk arising from the underlying financial instruments held in the funds managed by Aberdeen Standard.

- Indirect credit risk arises in relation to underlying bond investments held in the pooled investment vehicles.
- Indirect currency risk arises from the Sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currency.
- Indirect market risk arises from the pooled investment vehicles being exposed to interest rate or other price risks.

The Trustee has considered the indirect risks in the context inherent in the pooled investment vehicles described above. The risks disclosed here relate to each of the investments in the DC section as a whole. It should be noted that member level risk exposures will be dependent on the funds invested in by members. The following is a summary of the funds and their exposures.

	Indirect risk exposures			
Fund	**Credit risk**	**Currency risk**	**Interest rate risk**	**Other price risk**
Multi-Asset Fund	✓	✓	✓	✓
Managed Fund	✓	✓	✓	✓
With Profits Fund	✓	✓	✓	✓

Source: Aberdeen Standard.

Notes to the financial statements for the year ended 30 September 2020 (continued)

13 CURRENT ASSETS

	Total 2020 £000	Total 2019 £000
Balance at bank	**3,847**	3,788
Due from employer in respect of VAT	**142**	65
Payroll paid in advance	**1,512**	-
	5,501	3,853

14 CURRENT LIABILITIES

	Total 2020 £000	Total 2019 £000
Administrative expenses	**817**	771
Benefits payable	**640**	108
PAYE due to HMRC	**269**	283
Tax on contribution refunds	**-**	3
Due to employer	**117**	117
	1,843	1,282

15 RELATED PARTY TRANSACTIONS

Two of the Trustee Directors receive a pension from the Scheme (2019: two).

During the year Independent Trustees Services were paid £102,873 (2019: £51,401) for their services.

There are no other related party transactions other than as disclosed elsewhere within the financial statements.

16 CONTINGENCIES AND COMMITMENTS

In the opinion of the Trustee, the Scheme had no contingent liabilities at 30 September 2020 (2019: nil), except as disclosed in Note 17.

17 EMPLOYER RELATED INVESTMENTS

Under the Pensions Act 1995 particular types of investment are classed as "employer-related investments" ("ERI"). Under laws governing ERI not more than 5% of the current value of Scheme assets may be invested in ERI (subject to certain specific exceptions). In addition, some ERI is absolutely prohibited, including an employer related loan or guarantee. In September 2010 the prohibition of ERI was extended to cover pooled funds. It should be noted that this prohibition does not cover pooled funds held in life wrappers, i.e. funds which are packaged in an insurance policy.

Notes to the financial statements for the year ended 30 September 2020 (continued)

17 EMPLOYER RELATED INVESTMENTS (CONTINUED)

The Trustee reviews the Scheme's allocation to ERI on an on-going basis and are satisfied that the proportion of the Scheme's assets in ERI did not exceed 5% of the market value of the Scheme's assets as at 30 September 2020, and the Scheme therefore complies with legislative requirements. This will continue to be monitored annually. Furthermore, the Trustee has agreed with the relevant investment managers with whom segregated mandates are held to restrict ERI to zero.

As at 30 September 2020 the Scheme held no indirect investment in Travis Perkins (2019: £5,352 through the investment vehicle held with Legal & General).

The Scheme also holds an SPV asset backed by physical assets of the employer as disclosed in note 12.10 to the financial statements.

18 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 that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits.

In November 2020 a further High Court judgement was made in respect of GMP equalisation and historic transfer values. The judge ruled that historic transfer values would fall under the scope of GMP equalisation and that trustees of pensions schemes remain liable to members where transfer value payments reflected unequalised GMP benefits.

The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue may affect the Scheme and will be considering this as at future meetings and decisions will be made as to the next steps. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

Based on an initial assessment of the likely backdated amounts and related interest the trustees do 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. Once the judgements on further related cases have been published (including the ruling on de minimis) and further issues, for example, the tax treatment of any additional benefits granted have been resolved, then the Trustee (and their advisers) and the Employer (and their advisers) will be able to agree on a way forward in terms of the implementation of the agreed approach which will include the assessment of the impact of the approach on the Scheme which will be reflected in future years' accounts.

19 SUBSEQUENT EVENTS

The UK's membership of the European Union (EU) ended on 31 January 2020, although UK legal obligations based on EU law will largely remain the same until the end of transition period on 31 December 2020. During this transition period, the Trustee continues to monitor progress carefully and it is taking appropriate professional advice on the expected impact on the investment portfolio.

Section 6 – Independent Auditors' Statement about Contributions

We have examined the summary of contributions for the Travis Perkins Pension & Dependants' Benefit Scheme for the Scheme year ended 30 September 2020.

Opinion

In our opinion contributions for the Scheme year ended 30 September 2020 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects been paid in accordance with the Schedule of Contributions certified by the Scheme actuary on 21 December 2018.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions on page 49 have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and the auditor

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

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

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them 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 Trustee as a body for our work, for this statement, or for the opinion we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
Date: 31 March 2021

Section 7 – Trustee's Summary of Contributions

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 21 December 2018 in respect of the Scheme year ended 30 September 2020. The Scheme auditor reports on these contributions payable under the Schedule in the Auditors' Statement about Contributions.

Summary of Contributions payable in the year

During the year, the contributions payable to the Scheme were as follows:

	£000
Required by the schedule of contributions	
Deficit funding	**750**
Employer additional contributions re expenses	**1,187**
Total (as per Fund Account)	**1,937**

The summary was approved by the Trustee of the Travis Perkins Pension & Dependants' Benefit Scheme, and signed for and on their behalf by:

Stella Girvin, Chair of Trustee

Graham Malpas, Trustee Director

31st March 2021

Section 8 – Actuarial Statement & Certificate

Schedule of Contributions – Actuarial Certificate

Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 30 September 2017 can be expected to be met by the end of the period specified in the recovery plan dated 18 January 2021.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 21 December 2018.

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

Signature	
Date	18 January 2021
Name	Richard Shackleton
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	One London Wall, London, EC2Y 5EA

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

Section 9 – Implementation Statement

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants’ Benefit Scheme for the year ending 30 September 2020

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustee has been followed during the year to 30 September 2020.

The SIP is a document drafted by the Trustee in order to help govern the Scheme’s investment strategy. It details a range of investment-related policies, a summary of which is included below alongside the relevant actions taken by the Trustee in connection with each of these policies.

This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Disclosure of Information) Regulations 2013/2734 and the guidance published by the Pensions Regulator.

Review of the SIP

During the year the Trustee reviewed the Scheme’s SIP. A revised SIP was signed in July 2020 in order reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 to include policies in relation to:

- How the Scheme’s arrangement incentivises investment managers to align their investment strategy and decisions with the Trustees’ policies;
- How that Scheme’s arrangement incentivises the manager to make decisions based on assessments of medium to long term financial and non-financial outcomes;
- How the method (and time horizon) of the evaluation of managers’ performance and remuneration are in line with the Trustees’ policies;
- How the Trustees’ monitor portfolio turnover costs;
- The duration of the arrangement with the asset managers.

Assessment of the policies in the SIP for the year to 30 September 2020

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and how this followed the Trustee‘s policies in the SIP.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
Securing compliance with the legal requirements about choosing investments	*The Trustee obtains written advice from their investment adviser, enabling the Trustee to choose investment vehicles that can fulfil the Scheme's investment objectives. In the Trustee's opinion this is consistent with the requirements of Section 36 of the Pensions Act 1995.*	The Trustee received advice from its investment advisors where required over the year. In February 2020, within the Liability Hedging portfolio, the Trustee introduced a collateral management framework, to include an investment into a High Grade ABS fund, with the objective of investing excess collateral in a more efficient manner, for which suitability advice has been provided by the investment adviser.
Kinds of investments to be held	*For the DB section, the Trustee seeks to spread risks across a range of different sources, such as equities, fixed income and multi-asset strategies. The Trustee aims to take on those risks for which they expect to be rewarded over time, in the form of excess returns. The Trustee believes that diversification limits the impact of any single risk.* *The DC section doesn't have a default investment strategy. A small range of multi-asset self-select funds is made available which the Trustee believes is appropriate for members.*	The basis of the Trustee's strategy is to divide the Scheme assets between a "growth" portfolio (comprising assets such as Equities, DGF funds, Illiquid Credit and HLV Property), and a "matching" portfolio (comprising assets such as UK Gilts, UK index Linked Gilts and Corporate bonds). The Trustee regards the basic distribution of the assets to be appropriate for the Scheme's objectives and liability profile. Within the DC Section, no changes were made to the Scheme's investments over the year, and the Trustee believes the range of funds remains appropriate.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
The balance between different kinds of investments	*For the DB section, the Trustee aims to take on those risks for which they expect to be rewarded over time, in the form of excess returns. The Trustee believes that diversification limits the impact of any single risk.* *Within the DC section, the Scheme Trustee encourages members to seek independent financial advice from an appropriate party in determining the most suitable investment strategy for their individual circumstances.*	For the DB section, the Trustee receives a quarterly investment performance report which monitors the risk and return of options within the Scheme. Over the 12 months to 30 September 2020, the Trustee changed their investment strategy in line with the Scheme's de-risking framework. The only change was implemented in July 2020, which transferred the entire allocation of equity holdings into the Scheme's Liability Hedging Portfolio. There were no changes to the Trustee's investment strategy in respect of the DC Section and the Trustee remained satisfied with the performance of the funds over this period.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
Risks, including the ways in which risks are to be measured and managed.	*Within the DB section, in addition to targeting an appropriate overall level of investment risk, the Trustee seeks to spread risks across a range of different sources. The Trustee aims to take on those risks for which they expect to be rewarded over time, in the form of excess returns.* *Within the DC Section of the Scheme the Trustee has considered the specific risks outlined in section 8.2 of the SIP.*	As detailed in the risk section in the SIP, the Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes. Within the DB section, the quarterly report that the Trustee receives from the investment advisor, includes a risk monitoring section, that includes the Scheme Value at Risk ("VaR") over a 3 year horizon, the Liability Hedging portfolio hedge ratio versus the target, and the Scheme expected return versus the required return. The Scheme also maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions. The Trustee concluded that the investment risks set out in its risk register are being appropriately managed and measured.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
Expected return on investments	*For the DB section, the funds invested are expected to provide an investment return that is at least in line with the assumptions underlying the actuarial valuation.* *For the DC section, the funds are expected to achieve returns in excess of inflation over the long term and preserve members' purchasing power for these assets.*	The investment performance report is reviewed by the Trustee on a quarterly basis. The investment performance report includes how each investment manager is delivering against their specific mandates. Over the 3 years to date, the DB section of the Scheme has returned 9.7% relative to a benchmark of 9.2%. Over the 3 years to 30 September 2020, the investments in the DC section of the Scheme produced returns in excess of inflation. The Trustee receives investment manager performance reports from the managers and Mercer on a quarterly basis. The Trustee reviews absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the manager's stated performance target (over the relevant time-period).

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
Realisation of investments	*For the DB Section the Trustee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable, namely the property and secured finance units may be subject to a delay before dealing can take place and the investment. However, the remainder of the assets are realisable at short notice.* *For the DC Section the selection, retention and realisation of assets are delegated to the underlying fund manager, as detailed in section 11.3 of the SIP.*	For the DB Section, in the event the Trustee needs to realise assets to meet benefits outgoings, decisions on sourcing the disinvestment are made on a case-by-case basis. A quarterly forecast is provided by the Scheme's administrator in order to determine the expected level of cashflow requirements over the quarter. Based on the asset allocation at the quarter end prior to the Trustee meeting, the Trustee will decide from where disinvestments should be sourced based on the actual asset allocation relative to the target allocation. The majority of the Scheme assets could be redeemed with one week. Only the Secured Finance mandates (quarterly priced and traded) and the HLV Property Mandates (monthly priced and traded) are more illiquid. The DC Scheme's assets are managed in both pooled, daily dealt funds. The Trustee acknowledges that investments in these funds can be realised at short notice and therefore has no concerns around the liquidity of these investments.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	*The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.* *The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate code and UK stewardship code.*	The investment performance report is reviewed by the Trustee on a quarterly basis; this includes ratings (both general and specific ESG) from the investment consultant. Over the year to 30 September 2020, there have been no ESG rating downgrades within the mandates the Scheme is invested at. The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change. In order to produce this policy, the Trustee, undertook investment training provided by their investment advisors on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. This training was held on March 2019 and also in July 2020. The Trustee keeps their policies under regular review with the SIP subject to review at least triennially. When implementing a new manager the Trustee considers the ESG rating of the manager. There were no new manager appointments over the year. The Trustee will discuss and consider manager ESG ratings in any future investment strategy reviews.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments .	*The Trustee does not take into account DB Section members' views on "non-financial matters" (their ethical views, their views on ESG etc) and does not intend to take these into account in the future given the difficulty in determining members' views and then applying these to a single scheme investment strategy (given members' views across the thousands of members are likely to vary significantly).*	Over the year the Trustee did not explicitly take into account non-financial matters in the selection, retention and realisation of investments.
The exercise of the rights (including voting rights) attaching to the investments	*The Scheme's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.*	The Trustee has delegated voting rights to the investment managers. Over the prior 12 months, the Trustee have not actively challenged the managers on their voting activity. Further details on voting and engagement activity for the Equity and DGF managers within the DB Section and the DC Section are set out in the next section.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters)	*Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.* *Outside of those exercised by investment managers on behalf of the Trustee, no other engagement activities are undertaken.*	Within the Equity and DGF asset classes, where voting rights may rise, the Scheme invests solely in pooled funds, so the Trustee expects their investment managers to engage with the investee companies on their behalf. At present, when investment managers present to the Trustee, they are asked to provide details of key engagement activity (where relevant) and the impact the actions have had on the portfolio through investment reporting. Further details on voting and engagement activity are set out in the next section.
How the arrangements with the asset managers incentivise the asset managers to align investment strategies and decisions with the Trustee's policies	*Investment managers are appointed by Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.*	In the year to 30 September 2020 the Trustee has discussed their selected managers. The Trustee has specified criteria in the investment manager agreements so that the assets are managed in line with the Trustee's specified requirements. The Trustee will review the fund appointment to ensure it remains appropriate and consistent with the wider Trustee investment objectives.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	*The Trustee receives investment manager performance reports from the managers and the investment advisors on a quarterly basis. The Trustee's focus is primarily on long-term performance but short term performance is also reviewed. The Trustee may review a manager's appointment if there are sustained periods of underperformance.*	The quarterly investment performance monitoring reports include 3-year performance figures for each fund and therefore allow the Trustee to monitor the performance of each fund on a medium to long-term basis. No actions were taken by the Trustee over the prior year in respect of manager appointments. The Trustee is happy that the contractual arrangements in place continue to incentivise the managers to make decisions based on medium to long-term financial and non-financial performance.
How the method (and time horizon) of the evaluation of the asset managers' performance and the remuneration for asset management services are in line with the Trustee's policies	*The Trustee reviews the DC and AVC providers' proposition, including investment manager fees where possible, on an annual basis as part of "Value for Money Assessment".*	The investment managers are remunerated by way of a fee calculated as a percentage of assets under management – the investment managers' fees are based on the value of assets managed within the portfolio. None of the underlying managers in which the Scheme's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
How the Trustee monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	*The Trustee does not currently actively monitor the portfolio turnover costs of the main DB assets.* *The Trustee is required to consider portfolio turnover costs for the DC and AVC assets.* *Investment manager performance is reported net of transaction costs and therefore managers are incentivised to keep portfolio turnover costs to a minimum.* *The Trustee is also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.*	The Trustee considers portfolio turnover costs by way of considering transactions costs and the associated disclosures. Under the Cost Transparency Initiative ("CTI"), the Trustee engaged with ClearGlass, with objective of assessing all the details on the fees charged by the investment managers. Transaction costs, using the 'slippage cost methodology' (as defined in COBS 19.8 of the FCA Handbook), are disclosed in the annual Chair's Statement. The transaction costs for each fund cover the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager. An investment manager can also factor in anti-dilution mechanisms into the total transaction costs.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
		The Trustee is required to assess these costs for value on an annual basis. However, at present, the Trustee notes a number of challenges in assessing these costs: • No industry-wide benchmarks for transaction costs exist • The methodology leads to some curious results, most notably "negative" transaction costs • Explicit elements of the overall transaction costs are already taken into account when investment returns are reported, so any assessment must also be mindful of the return side of the costs.
How the Trustee monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range. (Continued)		The Trustee receives some MiFID II reporting from their investment managers but did not analyse the information over the year. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask managers to report on portfolio turnover costs explicitly. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Requirement	Policy	In the year to 30 September 2020
The duration of the arrangement with the asset manager	The Trustee is a long-term investor and does not look to change the investment arrangements on a frequent basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment strategy or general fund range.	The investment performance of all funds was reviewed by the Trustee on a quarterly basis over the year; this includes how each investment manager is delivering against their specific targets. The Trustee may terminate manager appointments if it is dissatisfied with the managers' ongoing ability to deliver specific targets. There were no changes to manager appointments over the year to 30 September 2020.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Voting Activity

The Trustee reviews the voting policies of each of the pooled vehicles in which the Scheme invests from time to time to determine whether the managers' policies are acceptable.

The Trustee did not use the direct services of a proxy voter over the year. Over the prior 12 months, the Trustee have not actively challenged the manager on its voting activity.

Over the last 12 months to 30 September 2020, the key voting activity on behalf of the Trustee was as follows:

LGIM – Passive Equity

LGIM relies on the service of proxy advisor, ISS, but have developed and implemented their custom policies. In 2019, over 40% of votes against directors were cast against the recommendations of both ISS and company management. LGIM has introduced a custom voting policy which will cover developed markets in Europe and the rest of the world (excluding France, the UK, Japan, Hong Kong and Brazil, for which they have separate voting policies). LGIM continues to develop and follow their own policies rather than adopt those of third parties, as these may not fully reflect the nuances of companies, their future commitments or LGIM own engagement activity. Such policies also may be focused on a particular country, rather than being global in nature.

LGIM's definition of significant voting includes but is not limited to:

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

Voting undertaken over the prior year is summarised in the table below:

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

LGIM – Passive Equity (continued)

Voting Information

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total (1)	Votes against management endorsement	Abstentions	
FTSE RAFI AW 3000 Equity Index	40,478	7,230	97	*BARCLAYS* ***Resolution 29*** *- Approve Barclays' Commitment in Tackling Climate Change* ***Resolution 30*** *- Approve ShareAction Requisitioned Resolution* ***Voting:*** *The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.* ***Rationale****: "The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome."*

(1)The voting activity relates to the period 1 October 2019 to 30 September 2020

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Baillie Gifford – Equity

Whilst Baillie Gifford are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource any of their stewardship activities or follow or rely upon their recommendations when deciding how to vote on clients' shares. All client voting decisions are made in-house. Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers' policies. Baillie Gifford also have specialist proxy advisors in the Chinese and Indian markets to provide them with more nuanced market specific information.

Baillie Gifford definition of significant voting includes but is not limited to:

- Baillie Gifford's holding had a material impact on the outcome of the meeting
- The resolution received 20% or more opposition and Baillie Gifford opposed
- Egregious remuneration
- Controversial equity issuance
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders
- Where there has been a significant audit failing
- Where Baillie Gifford have opposed mergers and acquisitions
- Where Baillie Gifford have opposed the financial statements/annual report
- Where Baillie Gifford have opposed the election of directors and executives.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Voting Information

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total [1]	Votes against management endorsement	Abstentions	
Long Term Global Growth	316	22	0	***AMAZON*** *Shareholder Resolution – Governance* ***Rationale:*** *"We supported a shareholder proposal to improve the transparency of Amazon's corporate lobbying policies and governance. We believe greater transparency of all political expenditures and lobbying, particularly indirect spending through trade associations, coalitions and charities, would enable shareholders to assess alignment with Amazon's values and corporate goals."*

(1)The voting activity relates to the period 1 October 2019 to 13 July 2020

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Insight – Diversified Growth Funds

Insight's definition of significant voting includes but is not limited to:

- where a vote departs from Insight's voting guidelines.

Proxy voters were only utilised at the Annual General Meeting (AGM). Insight uses the services provided by Manifest.

Voting Information

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total (1)	Votes against management endorsement	Abstentions	
Broad Opportunities Fund	n/a(2)	0	0	n/a(3)

(1)The voting activity relates to the period 1 October 2019 to 30 September 2020

(2)Voting activity was minimal for IBOF and included only infrastructure holdings.

(3)There were no significant votes undertaken over the reporting period.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Aberdeen Standard Investment – Diversified Growth Funds

At Aberdeen Standard Investment they view all votes as significant and vote all shares globally for which they have voting authority. ISS is the platform they use to administer the votes but they have a customised voting policy and review all active votes internally.

Aberdeen Standard Investment believe they go beyond guidelines and endeavour to disclose all their voting decisions for all of their active and passive equity holdings. They provide full transparency of their voting activity on their publicly available website and fund specific voting reports on request.

Each individual scheme will have their own views about which are the most significant votes - influenced by their sponsor, industry, membership and many other factors.

Voting Information

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total (1)	Votes against management endorsement	Abstentions	
Global Absolute Return Fund	3307	375	5	n/a(2)

(1)The voting activity relates to the period 1 October 2019 to 30 September 2020

(2)Due to Aberdeen Standard Investment's voting policy, it is not possible to classify specific votes as significant.

The voting policy of the equity manager in the DC section has been considered by the Trustee.

Voting data was requested from Aberdeen Standard Life (ASI) for the 3 funds used in the DC Scheme. However, ASI were only able to provide information for the ASI Multi-Asset Fund, which appears to be incomplete. Therefore the Trustee is unable to properly consider if the manager's voting record is in line with its policies, but it was continue to chase ASI for the required data.

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2020 (continued)

Aberdeen Standard Life – Multi-Asset Fund

At Aberdeen Standard Investment they view all votes as significant and vote all shares globally for which they have voting authority. ISS is the platform they use to administer the votes but they have a customised voting policy and review all active votes internally.

Aberdeen Standard Investment believe they go beyond guidelines and endeavour to disclose all their voting decisions for all of their active and passive equity holdings. They provide full transparency of their voting activity on their publicly available website and fund specific voting reports on request.

Each individual scheme will have their own views about which are the most significant votes - influenced by their sponsor, industry, membership and many other factors.

Voting Information

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Multi-Asset Fund	0	n/a	n/a	n/a – the manager was eligible to vote on 14 votes over the period considered. However, the manager did not cast a vote for any of these resolutions.

Votes for the AVC funds have not been considered as they are not considered to be material in the wider context of the Scheme.

Section 10 – Chair and DC Governance Statement

Chair's Annual Statement Regarding Governance for the Year to 30 September 2020

Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) (the 'Administration Regulations'), the Chair of Cobtree Nominees Limited, the Trustee of the TP Scheme, is required to include a statement (the 'Chair's Statement') on governance in the annual report. This to explain how the Trustee is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits. Although the majority of members of the TP Scheme do not have money purchase benefits, some members do. Additionally, this statement covers Additional Voluntary Contributions (AVCs) which are also invested on a money purchase basis.

For the TP Scheme, these benefits fall into three categories, namely:

- Money purchase underpins, where a member's defined benefit pension is compared to the pension provided by their money purchase underpin and they receive the higher of the two. For some members this underpin relates to the period from 6 April 1997 to 5 April 2000, during which the Scheme was contracted out on a "Protected Rights" basis, while for some legacy Wickes members the underpin only relates to contributions paid up to 1 April 1990. These underpins are generally not expected to 'bite' though they may do for a small number of members;

- Money purchase investments. For some members these relate to Protected Rights contributions which could not be reinstated in the State Pension Scheme when they left service and, for some ex-Wickes members who left service before April 1990, they relate to a prior money purchase scheme; and

- Additional Voluntary Contributions ('AVCs').

The Trustee is pleased to present this Chair's Statement for inclusion in the Report and Accounts for the TP Scheme, covering the period 1 October 2019 to 30 September 2020. This statement describes how the Trustee seeks to make sure that the TP Scheme is well-managed and delivers the required services and retirement outcomes to members. In doing so, we provide the various statutory disclosures required by legislation. This statement covers five key areas:

1. The investment strategy;

2. The processing of core financial transactions;

3. Charges and transaction costs;

4. "Value for Members" (including considering "Value for Money") assessment; and

5. The Trustee's compliance with the statutory knowledge and understanding requirements.

Whilst publishing this Chair's Statement is a legal requirement, and it contains considerable detail, it is intended to inform the TP Scheme's membership of the work that the Trustee Directors have undertaken during the Scheme year to ensure the Scheme provides the members with the eventual benefits. We do encourage members to review this statement for their own reassurance, and we will pleased to hear from members (at any time) if they have concerns and would like additional information.

Chair's Annual Statement Regarding Governance for the Year to 30 September 2020 (continued)

Recent investment market conditions

With the onset of Covid-19 in early March 2020, equity markets tumbled and credit spreads widened as investors dealt with the almost impossible task of sizing the likely impact over the short-medium term. However, uncertainty continues to abound and debate centers around the depth and length of the global economic recession that has ensued. Most markets have continued to trade with no impact on liquidity (with the particular exception of property funds), but substantial uncertainty obviously continues.

Default Investment Arrangements

A "default investment arrangement" arises where a member's investments have been invested without the member specifically selecting that option. Legislative requirements for a "default statement of investment principles" to be published alongside the Chair's Statement also do not apply to AVC investments or DC/money purchase arrangements established before 2015. However, if a new default investment strategy is introduced, post 2015, then a default statement of investment principles does become a requirement in respect of that default strategy.

However, if a new default investment strategy is introduced, post 2015, then a default statement of investment principles does become a requirement in respect of that default strategy.

The investment strategy relating to the money purchase benefits is either:

The same as the strategy for the investments of the underlying defined benefits within the TP Scheme. Hence, the TP Scheme's Statement of Investment Principles documents the strategy used for those money purchase benefits invested in the TP Scheme's main investments; or

They are invested within the:

- Aberdeen Life Multi-Asset Fund Class E,
- Standard Life With Profits Fund, and / or
- Standard Life Managed Fund

The Trustee has prepared the Statement of Investment Principles (the 'SIP') for the TP Scheme in compliance with Section 35 of the Pensions Act 1995, regulation 2 / regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 and the Administration Regulations. It was last updated in July 2020.

No new money has been invested into money purchase arrangements or the AVC arrangements since the regulations came into force and there will be no further new money invested. However, at the end of 2019, the Equitable Life closed and the investments previously in the With Profits Fund were transferred to the Utmost Secure Cash Fund on 1 January 2020. Between 1 July and 31 December 2020 these investments had to default to other Utmost funds. Hence, a default statement of investment principles (the "default SIP") has been published.

A copy of the latest Statement of Investment Principles ('SIP') and the default SIP in respect of the former Equitable Life AVCs, have been published alongside this Chair's Statement and is also available on request, by contacting the Trustee.

Chair's Annual Statement Regarding Governance for the Year to 30 September 2020 (continued)

Core DC Financial Transactions

The Trustee recognises that a delay or error can cause significant losses for members. The Trustee therefore operates measures and controls aimed at ensuring that all financial transactions are processed promptly and accurately.

Core DC financial transactions are (broadly, as the TP Scheme is closed to further member contributions):

- Transfers out of the TP Scheme, of assets relating to members' AVC or DC investments;
- Switches of members' investments between different AVC funds within the TP Scheme; and
- Payments from the TP Scheme to or in respect of members e.g. payment of death benefits, post receipt of disinvestment from an AVC provider /investment manage.

Until 6 July 2020, the Trustee delegated the day to day administration of the TP Scheme via an administration agreement in place with Capita. The administration agreement set out the service standards expected of Capita. Key examples are, assuming all the necessary information to complete the transaction is available:

- Transfers out of the TP Scheme in respect of a specific member's request are expected to be processed with 5 days,
- Switches of a member's investments between different funds within an AVC policy – the AVC provider will be instructed within 5 days of receipt of the request from the member, and
- Payment of death benefits – within 4 days for lump sums from the TP Scheme.

Following a review of administration services, the Trustees appointed Hymans Robertson as Scheme administrator from 6 July 2020. Similar service standards have been agreed with Hymans Robertson and they are regularly reporting to the Trustee on their performance.

During the year Capita and Hymans have reported to the Trustee on their processes and procedures for data accuracy, authorisation and checking of transactions and maintaining records. The Trustee received quarterly stewardship reports providing information on performance standards.

The Trustee will continue to monitor the quarterly reports and take any actions that are required to ensure that all core financial transactions continue to be processed promptly and accurately.

The Trustee has also made attempts to source service level data from the AVC providers, but very few AVC product providers report on their service standards, whether that is financial transaction turnaround times or other work. However, their response times to work requested are reflected to some degree in Capita's and Hyman's reporting.

Chair's Annual Statement Regarding Governance for the Year to 30 September 2020 (continued)

Core DC Financial Transactions (continued)

Adherence to processes is reviewed annually by the Trustee through the AAF01/06 reports provided by Capita and Hymans. These are an independent audit of compliance with their internal controls and processes, providing further comfort to the Trustee about processes and controls in place to ensure the timeliness and accuracy of core financial transactions as well as general day to day member processing.

Charges, Transaction Costs and Value for Money

As required by the Administration Regulations, the Trustee is required to report on the charges and transaction costs for the investments used for the pure Money Purchase investments and the AVCs, to assess the extent to which the charges and costs represent good value for members.

Transaction costs are the expenses associated with a member trading in and out of a fund as well as the investment manager trading a fund's underlying securities, including commissions and stamp duty.

The Pensions Regulator expects trustees to have an understanding of the types and levels of transaction costs that are incurred by different investments and include them in a value for members' assessment. However, the industry has not yet fully addressed the complexity of transaction cost reporting and no assessment of value in relation to transaction costs has been possible at this time, due to the absence of wider market data that would enable appropriate comparative assessment.

Generally, the Total Expense Ratio ("TER") consists principally of the manager's annual charge for managing and operating a fund ("AMC"), but also includes the costs for other services paid for by the fund, such as the legal costs, registration fees and custodian fees. However, they exclude other costs that are also member borne and which can therefore have a negative effect on investment performance, such as Transaction Costs. These are costs incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account by the fund managers when calculating the unit price for each of the funds.

Money Purchase Arrangements (excluding AVCs)

The total charges payable by members who have money purchase benefits invested outside of the main DB assets, with Aberdeen and Standard Life, are quoted in the table below:

Fund Name	AMC (% p.a.)	TER (% p.a.)	Transaction costs (% p.a.)
DC Funds invested in DB assets*	0.00	0.00	0.00
Aberdeen Standard Multi-Asset Fund Class E	0.50	0.50	Outstanding
Standard Life With Profits Fund	0.30	Total charges are not quantified, but reduce the rate of bonus declared from time to time	Outstanding
Standard Life Managed Fund	0.50	Outstanding	Outstanding

* The returns on the investments in the main assets of the TP Scheme are applied to the member's fund values on a gross basis i.e. there are no charges applied.

Chair's Annual Statement Regarding Governance for the Year to 30 September 2020 (continued)

Additional Voluntary Contributions (AVCs)

The table below provides details of the transaction costs and charges for the AVCs invested by members of the TP Scheme:

The Annual Management Charges ("AMCs") applicable to the funds in use for AVCs are:

Provider	Fund Name	AMC (% p.a.)	TER (% p.a.)	Transaction costs (% p.a.)
Aviva	With Profits	Charges are not quantified, but reduce the rate of bonus declared from time to time		N/A per Aviva
Clerical Medical	All Unit Linked Funds	0.50	AMC + Transaction costs	-0.01 – 1.04
	With Profits	Charges are not quantified, but reduce the rate of bonus declared from time to time		0.33
Equitable Life*	With Profits	1.00	2.035577	1.035577**
Prudential	Discretionary Fund	0.75	0.75	Outstanding
	With Profits	Charges are not quantified, but reduce the rate of interest / bonus declared from time to time		
	Deposit Fund			
Santander***	Deposit Fund			N/A per Santander
Utmost**	Clerical Medical With Profits Fund			Outstanding
	Managed	0.75	0.91	0.16
	Money Market Fund	0.50	0.50	0.00
	Secure Cash Fund	0.50	0.50	0.00
Zurich	With Profits	Charges are not quantified, but reduce the rate of bonus declared from time to time		N/A per Zurich

* Assets were transferred to Utmost Life and Pensions with effect from 1 January 2020, with the With Profits Fund being converted to unit linked assets and transferred to the Utmost Secure Cash Fund.

* The substantial transaction costs indicated for the Equitable Life With Profits Fund (by Utmost Life and Pensions, in the year to 31/12/2019, when the fund closed) have been explained as being due changes to the underlying mix of assets over the year, to ensure the "Uplifts" (the enhancement added when the With Profits Fund was disinvested) was the best it could be i.e. in particular, derivatives were used to protect the fund value.

*** Formerly Abbey National.

Where transaction cost and charges information is unavailable, the Trustee will continue to work with their advisors and the providers to be in a position to provide further detail in its 2021 Chair's Statement.

Chair's Annual Statement Regarding Governance for the Year to 30 September 2020 (continued)

The impact of Costs and Charges

Using the available charges and transaction cost data, and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the TP Scheme on their retirement savings pot. The statutory guidance provided has been considered when providing these examples.

To illustrate the impact of charges to a typical member of the TP Scheme, we have provided examples below based on a typical member having a current fund value of £6,750. We have assumed a future investment term of up to 25 years, based on the youngest member of the TP Scheme being 40 and assuming a normal retirement age of 65. Unfortunately, due to provider limitations, the illustration only includes details of transaction costs where available.

Term	**Cheapest Fund, and most popular fund by headcount** **AMC, 0.30% p.a.** **Standard Life With Profits Fund**		**Most Expensive Fund** **AMC, 0.75% p.a.** **Prudential Discretionary Fund**		**Fund with Lowest Expected Investment Return** **AMC, 0.50% p.a., plus** **Transaction Costs 0.01% p.a.** **Clerical Medical Cash Fund**		**Fund with highest Expected Investment Return** **AMC, 0.50% p.a., plus** **Transaction Costs 0.53% p.a.** **Clerical Medical UK Growth Fund**	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
1	6,868	6,848	6,896	6,845	6,683	6,649	6,947	6,876
5	7,365	7,255	7,517	7,239	6,425	6,263	7,798	7,405
10	8,036	7,798	8,372	7,765	6,116	5,812	9,009	8,123
15	8,769	8,382	9,324	8,329	5,823	5,393	10,409	8,912
20	9,568	9,010	10,385	8,933	5,543	5,004	12,026	9,777
25	10,440	9,685	11,566	9,581	5,276	4,643	13,894	10,726

Chair's Annual Statement Regarding Governance for the Year to 30 September 2020 (continued)

The impact of Costs and Charges (continued)

Notes:

1. Projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. They have been discounted by 2.5% p.a. to allow for the assumed impact of inflation in "buying power" terms

2. The starting pot size is assumed to be £6,750.

3. We have assumed no further contributions

4. Values are estimates and are not guaranteed

5. The assumed growth rate for each fund is as follows:

    a. Cheapest Fund: 4.30% p.a. gross return (as it is guarantees a return of 4% per annum), so a 1.76% p.a. expected real return above inflation

    b. Most Expensive Fund: 2.18% p.a. gross expected real return above inflation

    c. Lowest Expected Investment Return: -0.98% p.a. gross expected real return relative to inflation

    d. Highest Expected Investment Return: 2.93% p.a. gross expected real return above inflation

The most expensive fund during the Scheme Year was actually the Equitable Life With Profits Fund, with total charges of 2.035577%, as indicated in the notes below the charges table above. However, projecting this fund would be pointless as it was closed and disinvested as at 31 December 2019. Additionally, these charges reflected additional costs to protect the funds value in the months prior to disinvestment. Hence, we have excluded this fund from the illustrations above.

6. The Transaction Costs relate to the actual transaction costs incurred in the Scheme year.

7. The Money Purchase arrangements, where the investments are within the main TP Scheme's underlying assets, do not incur any member charges. Hence, they have not been illustrated above.

Chair's Annual Statement Regarding Governance for the Year to 30 September 2020 (continued)

Value for Members

The Trustee has undertaken a review of the charges and (where available) transaction costs incurred by members in order to ascertain whether or not the money purchase and AVC arrangements in place represent good value for members, relative to peers and alternative arrangements that are available.

There is no legal definition of "good value", so the process of determining good value is a subjective one. "Value" is not a straightforward concept to quantify and can be open to broad interpretation.

The TP Scheme's value for money assessment examines the current management charges relative to standard institutional fees for equivalent size mandates, Mercer Manager Research Ratings, alternative providers/managers, the available services and historical performance. Where funds offered to members are highly rated by Mercer, are being offered at a competitive fee rate, and are performing in line with their objectives over the longer term, they can be considered to be offering good value for money for members. The administrative services, for example, provided to members in the Money Purchase arrangements are paid for by the TP Scheme, so effectively free of charge to the members. With AVCs, the providers are supplying services to the members beyond "just" investment management, so these are relevant too.

The review concluded that, overall, the TP Scheme represents "neutral to good" value for money for the Money Purchase and AVC services it provides overall, in comparison to the costs payable by members. Understandably, the reasons underpinning this conclusion vary between the Money Purchase arrangements and each of the AVC arrangements:

- The Money Purchase arrangements, where the investments are within the main TP Scheme's underlying assets, do not incur any member charges. Hence, "value for money" can only be good,
- For those Money Purchase investments with Aberdeen and Standard Life, the charges made by the investment managers are very competitive and members are not charged for the administration services. Hence, "value for money" is similarly quite good,
- The competitiveness of the charges, range of services and investment performance amongst the AVC providers varies. However, the AVC arrangements have been reviewed. Members with AVCs will be contacted about this soon.
- The Scheme also pays for an Independent Trustee and a range of other service providers to assist with governing the TP Scheme's arrangements and provide oversight on behalf the members' best interests.

Using the available charges and transaction cost data, and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustee has prepared illustrations detailing the impact of the charges and (where available) transaction costs typically paid by a member of the TP Scheme who is invested in the Money Purchase arrangements with Aberdeen and Standard Life or in the main the AVC arrangements. These are shown in "The Impact of Costs and Charges" section above.

Chair's Annual Statement Regarding Governance for the Year to 30 September 2020 (continued)

Trustee Knowledge and Understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding that, together with the professional advice available to them, enables them to properly exercise their functions and duties in relation to the TP Scheme. The Trustee is Cobtree Nominees Limited, and its board of directors includes an independent trustee, company and member nominated trustees. In addition, the Trustee delegates some of its investment responsibilities to an investment sub-committee made up of TP Scheme Trustee Directors, some Trustee Directors from another pension scheme sponsored by the Company and an independent investment expert.

This Chair's Statement has been signed by Stella Girvin, who is an independent professional trustee and chair of the Trustee Board for the TP Scheme. Stella has had a varied prior career, including a period as Pensions Manager at Travis Perkins plc. The heart of her career has been in pensions, both defined benefit and defined contribution schemes, but she is also a qualified Company Secretary, experienced in Corporate Governance and Compliance. The board benefits from the range of their depth and experience in the pensions arena which enables them to challenge the Trustee's advisors.

In addition, each of the Trustee Directors continuously consider their personal training needs in relation to the Scheme, in conjunction with the code of practice issued by the Pensions Regulator.

New Trustee Directors are expected to ensure that they familiarise themselves with all the Scheme's documentation, undertake the Pensions Regulator's Trustee Toolkit and take any other training as required. The Chair of the Trustee Board meets with the new Trustee Directors, on appointment, to provide a broad overview of the Scheme's background and operational structure, her expectations of the trustees, to answer any immediate questions and also to ensure that the new Trustee Directors have access to all documentation.

The Trustee Directors view regular and ongoing training opportunities as an essential part of expanding their combined knowledge to exercise their functions as trustees of the TP scheme. This is in addition to their legal duty to be conversant with the trust deed and rules of the TP Scheme, the TP Scheme's Statement of Investment Principles and other key documents such as the TP Scheme's Risk Register which articulates what the Trustee considers to be key concerns and ensures that they are regularly monitored, as described earlier. The Trustee Directors regularly consider their training needs and this is captured within the Business Plan which is reviewed at every meeting.

In addition, examples of the training which the Trustee Directors received during 2020, helping them to keep abreast of relevant developments in pension and trust law, funding and investment principles and other issues impacting on the Scheme, including training sessions from the Scheme's advisers regarding:

- (26th March 2020) The Pensions Regulator's new Funding code; and
- (30th June 2020) Managing longevity risk.

The Trustees receive many further updates from their advisers at regular trustee meetings throughout the year and are all required to complete the Pension Regulator's Trustee Tool Kit.

Chair's Annual Statement Regarding Governance for the Year to 30 September 2020 (continued)

Trustee Knowledge and Understanding (continued)

The Trustee Directors view these regular and ongoing training opportunities as an essential part of expanding their combined knowledge to exercise their functions as trustees of the TP scheme. This is in addition to their legal duty to be conversant with the trust deed and rules of the TP Scheme, the TP Scheme's Statement of Investment Principles and other key documents such as the TP Scheme's Risk Register which articulates what the Trustee considers to be key concerns and ensures that they are regularly monitored, as described earlier. The Trustee Directors regularly consider their training needs and this is captured within the Business Plan which is reviewed at every meeting.

This Chair's Statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations'). I confirm that the above statement has been produced and approved by Travis Perkins Pension & Dependants' Benefit Scheme's Trustee Directors to the best of their knowledge.

Stella Girvin, Chair of Trustee

31st March 2021