

# Travis Perkins Pension And Dependants' Benefit Scheme

Annual Report and Financial Statements

30 September 2022

Scheme Registration number 10121600

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# Section 1 – Trustee and its Advisers

## The Trustee

The Trustee of the Scheme was a corporate Trustee, Cobtree Nominees Limited, with effect from 31 March 2022, Cobtree Nominees Limited and the various Directors were removed and Ross Trustees Services Ltd was appointed by the Principal Employer as the Sole Trustee from 1 April 2022. The individuals who served as a Director of Cobtree Nominees Limited and Ross Trustees Services Ltd are set out below:

### Independent Chair

Stella Girvin (resigned 31 March 2022)

### Employer nominated

Mrs N McGowan

### Member nominated

Graham Malpas (resigned 31 March 2022)

Chris Shircore (resigned 31 March 2022)

### Corporate Trustee

Ross Trustees Services Ltd (appointed 1 April 2022)

Susan Jane Andrews

Dickon Best

Pavan Bhardwaj

Andrew David Bradshaw

Richard Cousins

Catherine Eleanor Hardingham

Anthony Livingstone

Roger Alan Richard Mattingly

Joanna Beth Myerson

Amanda Osborne

Manpreet Sohal

Grant Suckling

### Secretary to the Trustee

Capital Cranfield Pension Trustees Limited (resigned 31 March 2022)

Mr A Mills

Ross Trustees Services Ltd (appointed 1 April 2022)  
Directors listed above.

### Investment Subcommittee Chair

Allan Whalley  
(resigned 31 March 2022)

## Advisers

The advisers to the Trustee are set out below:

### Actuary

R Shackleton FIA of Hymans Robertson LLP

### Independent Auditors

Deloitte LLP

### Legal Adviser

Gowling WLG (UK) LLP

### Administrator

Hymans Robertson LLP

### Investment Consultant

XPS Pension Group

**Trustee and its Advisers (continued)**

**Advisers (continued)**

**Investment Managers – Defined Benefit**

Ares Management LLC  
Insight Investment Management (Global) Limited  
Legal & General Investment Management Ltd  
M&G Alternatives Investment Management Limited  
Royal London Asset Management

**Custodian (Insight and Royal London)**

Bank of New York Mellon

**AVC Providers**

Aviva plc (to October 2022)  
Clerical Medical  
Prudential plc  
Standard Life Investments (to December 2022)  
Utmost Life and Pensions Limited  
Zurich Assurance Limited

**Principal Employer**

Travis Perkins plc

## Section 2 – Trustee’s Report

The Trustee presents the report and audited financial statements of the Travis Perkins Pension & Dependents’ Benefit Scheme (“the Scheme”) for the year ended 30 September 2022.

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 and 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.

The power of appointment of the Trustee, or of a new Director or Directors of the Trustee Company and the power of removal of the Trustee, or one or more Directors of the Trustee Company are vested in Travis Perkins plc.

With the exception of the 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, from March 2022, the Principal Employer switched to a Sole Trustee structure. The Trustee Directors in office during the year of this report, and their advisers, are shown on page 1 and 2. During the year, one hybrid meeting (2021: nil) and three video conferences (2021: ten) were held to consider matters relating to the Scheme.

With effect from 31 March 2022, Cobtree Nominees Limited and the various Directors were removed as a Trustee and Ross Trustees Services Ltd was appointed by the Principal Employer as the Sole Trustee from 1 April 2022.

## 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 decreased from £1,272,127k at 30 September 2021 to £852,587k at 30 September 2022. The decrease in net assets is accounted for by:

	2022 £000	2021 £000
Contributions and other income	47	508
Member related and other payments	(40,218)	(41,766)
<b>Net withdrawals from dealings with members</b>	<b>(40,171)</b>	<b>(41,258)</b>
Net loss on investments	(379,369)	(15,823)
<b>Net decrease in Scheme</b>	<b>(419,540)</b>	<b>(57,081)</b>
Opening net assets available for benefits	1,272,127	1,329,208
<b>Closing net assets available for benefits</b>	<b>852,587</b>	<b>1,272,127</b>

### Contributions

The Scheme Actuary, an independent adviser to the Trustee, assesses the financial position of the Scheme every three years by performing an actuarial valuation. The latest triennial actuarial valuation of the Scheme was carried out as at 30 September 2020 in accordance with the requirements of Part 3 of the Pensions Act 2004. The Report on Actuarial Liabilities is on page 8 and 9 of this report.

Legislation requires the Trustee to agree a Statement of Funding Principles setting out how it will achieve the statutory funding objective – that is, for the Scheme to be sufficiently and appropriately funded to at least the level of its “technical provisions” (i.e. its liabilities). In the event of a past service deficit, the Trustee is required to agree a Recovery Scheme, this being an amount payable over a fixed term of years over which the deficit will be eliminated, taking into consideration the strength of the employer’s covenant – that is, the ability of the employer to continue to contribute to the balance of the cost of the Scheme.

Following the actuarial valuation on 30 September 2020, a Schedule of Contributions was certified on 18 January 2021 and then an updated version was agreed and certified by the Scheme Actuary on 4 May 2021.

## 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 2022.

Pensioners who left service as members of the SAS section receive an increase in line with the annual increase in Retail Price Index (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 from 1 January 2002 increase in line with the annual increase in RPI to a maximum of 5%. Increases were granted on 1 April 2022.

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 Consumer Price Index (CPI), subject to a minimum increase of 3% and a maximum increase of 5%. Increases were granted on 1 April 2022.

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 2022.

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 2022.

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 year 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)

### Going Concern

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 continue to experience significant volatility resulting from the factors detailed in the Investment Report included in this report. The Actuarial Report as at 30 September 2022 showed the Scheme to have a funding level on a Technical Provision's basis of 104%, which was an improvement compared to the funding level of a Technical Provision's basis as at 30 September 2021 of 102%. The Scheme's funding position has weakened following the market volatilities experienced in September & October 2022, due to credit spreads widening and gilt yields rising. However, the Scheme remains fully funded on a Technical Provisions basis when allowing for the value of the SPV. The Scheme's current investment strategy remains appropriate for the Scheme given its current funding position and is regularly reviewed by the Trustee and investment adviser. The LDI assets performed as expected during the Gilt market turmoil resulting in an improvement in the overall funding position of the Scheme. The covenant assessment of Principal Employer performance also remains strong showing continued revenue growth through 2022.

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 – details of subsequent event considerations are disclosed in Note 19.

**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 2020, the next actuarial valuation is due at 30 September 2023. Updates of the position were obtained as at 30 September 2021 and 30 September 2022. These showed:

Funding position			
	Actuarial valuation as at 30 September 2020 £'m	Actuarial report as at 30 September 2021 £'m	Actuarial report as at 30 September 2022 £'m
Technical Provisions	(1,290)	(1,198)	(821)
Assets (including AVCs and insured pensions)	1,329	1,272	853
<b>Surplus</b>	<b>39</b>	<b>74</b>	<b>32</b>

The 30 September 2020 actuarial valuation showed that the Scheme had no funding deficit relative to the Scheme's statutory funding objective and so no deficit reduction contributions are payable. All management and administration expenses incurred by the Scheme will be paid out of the Scheme's assets. The Sponsor will pay additional contributions in respect of expenses from time to time as agreed by the Sponsor and the Trustee. In addition, the Sponsor pays the PPF levy and the Pension Regulator's general levy directly.

Further details on the contribution rates are given in Note 4 to the financial statements. A copy of the most recent certification from the Scheme Actuary 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):

## Trustee's Report (continued)

### Report on Actuarial Liabilities (continued)

#### Method

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

#### 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 5 years from 30 September 2020 to 30 September 2025, then reducing to an addition of 0.5% p.a. thereafter.

**Future Retail Price inflation:** market expectation of future inflation dependent on term as measured by the difference between yields on fixed and index-linked government bonds.

**Future Consumer Price inflation:** term-dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 0.8% 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 1.75% per annum, allowing for the relevant caps and floors on pension increases according to the provisions in the Scheme's rules.

**Mortality:** for post-retirement mortality, the latest VitaCurves available at the valuation date. These are based on pooled experience from occupational pension schemes during the period 2016 to 2018 as collated by Club Vita who analyse the data and allow for observed variations in mortality such as age, gender and salary. Future improvements are assumed to be in line with the CMI 2019 model with:

- Starting rates based on improvements observed in England and Wales population data up to the end of 2018, with an adjustment to the A parameter of 0.4% for males and 0.5% for females;
- A smoothing parameter of  $S_k = 7$ ; and
- A long-term rate of improvement of 1.5% p.a. (tapering for ages above 85 to 0% at 110).

The pre-retirement mortality of future pensioners is assumed to be 100% of the standard S3PXA tables published by the CMI.

## Trustee's Report (continued)

## Scheme Membership

The reconciliation of the Scheme membership during the year ended 30 September 2022 is shown below:

Pensioner Members (including spouses and dependants)	
<b>As at 30 September 2021</b>	<b>4,824</b>
Late adjustments*	15
<b>Restated at 1 October 2021</b>	<b>4,839</b>
Retirements	151
Deaths	(194)
New Beneficiaries	56
Beneficiaries' pensions ceased	(2)
<b>Pensioner members as at 30 September 2022</b>	<b>4,850</b>

Included within the above are 34 (2021: 34) pensioners whose benefits are provided by annuities.

Deferred Pensioner Members	
<b>As at 30 September 2021</b>	<b>4,811</b>
Late adjustments*	(32)
<b>Restated at 1 October 2021</b>	<b>4,779</b>
Retirements	(151)
Deaths	(7)
Transfers Out	(23)
Full commutations	(6)
<b>Deferred pensioner members as at 30 September 2022</b>	<b>4,592</b>

\*Late adjustments in respect of the prior year relate to member changes in the prior year whose records were not updated or produced by the time the previous Trustee Report and Accounts were finalised.

# 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: Ares Management LLC ("Ares"), Insight Investment Management (Global) Limited ("Insight"), Legal & General Investment Management Limited ("LGIM") (until December 2021), M&G Alternatives 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. 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.

Due to market conditions, at the year-end, the asset allocation of the Scheme was not in line with the allocations disclosed in the Statement of Investment Principles ("SIP") and Investment Implementation Policy Document ("IIPD").

## DB Section

### Investment Strategy

The Trustee is aiming to achieve 100% funding 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 at 30 September 2025.

The target investment strategy of the DB Section at the 30 September 2022 year-end was as follows:

- 20.5% in return seeking assets comprising of Secured Finance.
- 42.6% in Buy & Maintain corporate bonds, which are expected to modestly outperform the Scheme's liabilities over the long term whilst exhibiting some sensitivity to interest rates (not applicable to the Insight Buy & Maintain Mandate).
- 36.9% 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 also includes the investments in High Grade ABS and Liquidity Funds as these are used within the collateral management framework in place with Insight.

## Investment Policy (continued)

### Investment Strategy (continued)

Shortly after September 2021, upon becoming broadly funded on the Gilts + 0.5% funding basis, the Trustee disinvested from the M&G Secured Income Property Fund with a redemption of c.£55.6m and LGIM LPI Property Fund with a redemption of c. £52.6m. The proceeds were invested across the insight LDI portfolio and High Grade ABS assets.

At the end of the reporting period, the Scheme was subject to significant gilt market volatility. To maintain the level of liability hedging in place, Insight disinvested the units held in the High Grade ABS Fund in line with the collateral framework in place, with the proceeds transferred to LDI assets or held as cash for collateral purposes. The ABS allocation was disinvested in full during October 2022 for collateral purposes.

In the reporting period the majority of the AVC assets were rationalised and transferred to the Scheme's default strategy. The Trustees are looking at whether the remaining AVC arrangements could be rationalised to fewer providers and will report on any changes in the Scheme accounts for the next reporting period.

### 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 its 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.

### DC Section

The DC Section's investments have been managed during the year under review by Abrdn (formerly Aberdeen Standard) and Standard Life.

The Scheme's DC strategy was reviewed by the Trustees investment advisors during the reporting year with the aim of rationalising the strategy to a smaller number of providers. The Trustees agreed to transfer the holdings in the Standard Life Managed Fund and the Abrdn Multi-Asset Fund to the Scheme's default strategy. Members were originally notified in August 2022 and the final transition took place in December 2022 after being postponed due to the UK Gilt Crisis. The changes will be detailed in the Scheme accounts for the next reporting period.

## Investment Policy (continued)

### Responsible Investment and Corporate Governance

The Trustee is currently reviewing the Buy & Maintain Credit mandates with RLAM and Insight in respect to ESG and sustainability considerations. In addition to this, the Trustee is also considering the implementation of a Responsible Investment Policy. This aims to formalise the Trustee's approach to Environmental, Social and Governance (ESG) factors including climate change within the strategy. Post September 2022, the Trustee also put in place a Task Force on Climate Related Financial Disclosures (TCFD) reporting framework. The first report is expected to be made available in 2023.

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 created by ESG factors 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. However, this will be kept under review as the market and ESG offerings evolve.

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 Trustee 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.

Where investment is in pooled vehicles, the Trustee cannot direct the appointed investment managers on how to vote. The Trustee reviews the voting policies of each of the pooled vehicles in which the Scheme invests 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 Trustee 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 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.

## Investment Policy (continued)

### Responsible Investment and Corporate Governance (continued)

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. The Trustee 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 Trustee will review the ESG rating provided by the Investment Consultant at least annually and will review these relative to other 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. The Trustee 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.

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 the Trustee's policy relating to ESG has been shared with the investment managers.

The Trustee does not take into account 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 2022 (%)	30 September 2021 (%)
Ares	Secured Income Fund	6.8	4.8
Insight	Segregated Liability Hedging	27.2	24.5
	Secured Finance	4.9	3.2
	High Grade Asset Backed Security	8.2	18.1
	Segregated Buy & Maintain Credit	24.7	17.5
LGIM	HLV Property	-	4.0
M&G	Secured Property Income Fund	-	4.4
	Illiquid Credit Opportunities Fund II	8.2	5.7
RLAM	Segregated Buy & Maintain Credit	16.9	15.0
XPS	SPV	3.0	2.6
Various	AVCs	0.1	0.2
<b>Total DB Section</b>		<b>100.0</b>	<b>100.0</b>

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 2022 (%)	30 September 2021 (%)
Abrdn Life and Pensions Limited (formerly: Aberdeen Standard Investments)	ASI Life Multi-Asset Fund	41.2	48.3
Standard Life Investments	Managed Fund (AVCs)	9.0	8.9
Standard Life Investments	With Profits Fund (AVCs)	49.8	42.8
<b>Total DC Section</b>		<b>100.0</b>	<b>100.0</b>

Figures subject to rounding.

## Review of Investment Performance

### Defined Benefit Section

For year to 30 September 2022, 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 2022			30 September 2021	
	(% p.a.)			(% p.a.)	
	1y	3y	5y	1y	3y <sup>(a)</sup>
DB Section Total	<b>(30.9)</b>	<b>(10.7)</b>	<b>(2.2)</b>	<b>(1.8)</b>	<b>7.8</b>
Benchmark	<b>(32.0)</b>	<b>(11.7)</b>	<b>(3.2)</b>	<b>(3.8)</b>	<b>7.1</b>

Source: Performance figures shown above have been estimated by XPS based on historical data obtained from previous report and accounts and available manager data managers at 30 September 2022.

(a) The 5 year performance at September 2021 is unavailable.

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

- 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 RLAM portfolio includes some holdings in unrated credit which may take longer to sell;
- 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 and Insight Liquidity Fund, used in the collateral management framework, are also daily dealt.

**Investment Policy (continued)****Review of Investment Performance****DC Section**

For year to 30 September 2022, the DC Section's fund investment returns are set out in the table below.

Fund	Last Year		Last Three Years	
	Fund (%)	B'mark (%)	Fund (% p.a.)	B'mark (% p.a.)
Multi-Asset Fund	(12.2)	(4.8)	1.3	3.3
Managed Fund	(8.2)	(9.9)	1.4	1.2
With Profits Fund	(12.7)	N/A	(3.5)	N/A

Source: Abrdn and Standard Life. The 5 year performance at September 2022 is unavailable.

Benchmarks: Abrdn Multi-Asset Fund – Figures shown are net of fees. Composite benchmark of 40% FTSE All Share, 25% MSCI World (ex UK), 15% FTSE Government All Stocks, 5% HFRI FOF: Conservative Index, 5% FTSE Small Cap, 7.5% 7 Day Sterling Libor, 2.5% FTSE All-Share Index – Equity Investment Instruments

Standard Life Managed Fund – Figures shown are net of fees. ABI (Pension) Mixed Investment 40% - 85% Shares Sector Average

Standard Life With Profits Fund – Figures shown are gross of fees. Not managed to a benchmark

## 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	Buy & Maintain Credit	Segregated	BNYM
	Liability Hedging	Segregated	BNYM
	High Grade ABS	Pooled	BNYM <sup>1</sup>
	Secured Finance	Pooled	Northern Trust <sup>1</sup>
M&G	Illiquid Credit Opportunities Fund II	Pooled	State Street Custodial Services (Ireland) Ltd
RLAM	Buy & Maintain Credit	Segregated	BNYM
Ares	Secured Income Fund	Pooled	BNYM and BNP Paribas

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

<sup>1</sup> Northern Trust is Insight's 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.

### Statement of Investment Principles

The Trustee Directors have produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). From 1 October 2020, disclosure regulations came into effect which requires pension schemes to publish the SIP on a publicly available website. A copy of the SIP and Implementation Statement are available from <https://www.travisperkispensions.co.uk/>

The Scheme's Implementation Statement is appended to this document forming part of the Trustee's report, and published on a publicly available website.

The SIP gives details of the Trustee's investment objectives, while an accompanying Investment Implementation Policy Document ("IIPD"), which is available on request, provides details of the underlying benchmarks used to measure the performance of the investment managers.

## Investment Policy (continued)

### Risk

The Trustee recognises that, with the development of modern financial instruments, it would be possible to select investments that broadly match the estimated defined benefit liability cash flows. However, in order to meet the long-term funding objective with an acceptable level of the Principal Employer contributions, the Trustee has agreed to take investment risk relative to the liabilities. This is to target a greater return than the matching assets are expected to provide. The Trustee targets a return consistent with the assumptions made in determining the Scheme's Technical Provisions and Recovery Plan.

Before deciding to take investment risk relative to the liabilities, the Trustee received advice from the Investment Consultant and held discussions with the Principal Employer. In particular, the Trustee considered carefully the following possible consequences:

- The assets might not achieve the excess return relative to the liabilities anticipated over the longer term. This would result in deterioration in the Scheme's financial position and consequently higher contributions from the Principal Employer than are currently expected.
- The relative value of the assets and liabilities will be more volatile over the short term than if investment risk had not been taken. This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of discontinuance of the Scheme. This consequence is particularly serious if it coincides with the Principal Employer being unable to make good the shortfall.
- This volatility in the relative value of assets and liabilities may also increase the short-term volatility of the Principal Employer contribution rate set at successive actuarial valuations, depending on the approach to funding adopted.

The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Principal Employer and its willingness to contribute appropriately to the Scheme. The financial strength of the Principal Employer and its perceived commitment to the Scheme is monitored and the Trustee will review investment risk relative to the liabilities should either of these deteriorate.

The degree of investment risk the Trustee is willing to take also depends on the financial health of the Scheme and the Scheme's liability profile. The Trustee monitors these with a view to altering the investment objectives, risk tolerance and/or return target should there be a significant change in either.

### Engagement and Monitoring

The Trustee's main objectives when considering the selection of investment managers are as follows:

- a) To select a combination of investment products that together (though not necessarily individually) would generate the maximum net of fees added value over the benchmark, given the Trustee's tolerance for investment manager risk.
- b) To employ highly-rated investment products, according to the Investment Consultant's research, wherever possible (subject to objective a).
- c) To minimise potential transition costs by retaining the incumbent managers where possible (subject to objectives (a) and (b) above) but allowing for the fact that the cost of making a change can easily be outweighed by superior future performance.

## Investment Policy (continued)

### Engagement and Monitoring (continued)

The investment managers are appointed by the Trustee based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics. The Trustee utilises the investment consultant's forward looking manager research ratings in decisions around the selection, retention and realisation of manager appointments. These ratings are based on the investment consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management.

If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the wider Trustee investment objectives.

Some mandates are actively managed, and the managers are incentivised through performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds as part of the wider monitoring of the Scheme's managers.

The majority of the Scheme's investments are made through pooled investment vehicles, and as such the Trustee accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The balance of the Scheme's investments are segregated: the Trustee has specified criteria in the investment manager agreements so that the assets are managed in line with the Trustee's specific requirements. For the buy and maintain corporate bond mandates these criteria include the duration of the portfolios and the proportion of the portfolios invested in bonds denominated in sterling and overseas currencies, the proportion of the portfolios to be invested in different sectors and in sub-investment grade bonds. With respect to the liability hedging portfolio, the manager has been appointed to manage the assets in line with a Scheme-specific benchmark based on the underlying liability profile of the Scheme, with restrictions set out in the guidelines in order to manage portfolio-specific risks.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee dissatisfied, then it will look to replace the manager.

The Trustee receives investment manager performance reports from the investment consultant on a quarterly basis, which present performance information over 3 month, 1 year, and 3 years. The Trustee review 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). The Trustee's focus is primarily on long term performance but short-term performance is also reviewed. As noted above, the Trustee may review a manager's appointment if:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to the Investment Consultant's rating of the manager.

## Investment Policy (continued)

### Engagement and Monitoring (continued)

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee may initially ask the manager to review their fees instead of terminating the appointment.

The Trustee does not currently actively monitor the portfolio turnover costs of the assets. Investment manager performance is generally reported net of transaction costs, and therefore managers are incentivised in this way to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.

The Trustee receives some MiFID II reporting from their investment managers but does not analyse the information. 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.

The Trustee is required to consider portfolio turnover costs for the AVC and DC assets on an annual basis.

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

For open-ended funds, the Trustee will retain an investment manager unless:

- a) There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- b) The manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate.

### 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 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 2021, 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.

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

## Statement of Trustee's responsibilities

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

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

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

The Trustee is also responsible for making available certain other information about the Scheme the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control. The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Trustee's Responsibilities in Respect of Contributions**

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer of the Scheme and the dates on or before which such contributions are to be paid.

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



## 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 LLP  
45 Church Street  
Birmingham  
B3 2RT

### The Money and Pensions Service (MaPS)

This service is available at any time to assist members and beneficiaries with pensions questions and issues they have been unable to resolve with the Trustees of the Scheme. MaPS has launched MoneyHelper, which brings together the Money Advice Service, The Pensions Advisory Service and Pension Wise to create a single place to get help with money and pension choices. MoneyHelper is impartial, backed by the government and free to use.

The Money and Pensions Service  
Holborn Centre  
120 Holborn  
London  
EC1N 2TD  
Tel: 0800 011 3797  
Website: [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

### The Pensions Ombudsman

Members have the right to refer a 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 events(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](mailto:enquiries@pensions-ombudsman.org.uk)  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

Members can also submit a complaint form online: <https://www.pensions-ombudsman.org.uk/making-complaint>

**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](http://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

Website: [www.gov.uk/find-pension-contact-details](http://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:

\_\_\_\_\_ Trustee Director

\_\_\_\_\_ Date

## Section 3 – Independent Auditor's 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 2022 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 Financial Reporting Standard 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

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

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

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

## **Independent Auditor's Report to the Trustee of the Travis Perkins Pension & Dependants' Benefit Scheme (continued)**

### **Other information**

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

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

We have nothing to report in this regard.

### **Responsibilities of the Trustee**

As explained more fully in the 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 has 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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

We considered the nature of the scheme's industry and its control environment, and reviewed the scheme's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee and management about their own identification and assessment of the risks of irregularities.

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

### Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory frameworks that the scheme operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosures of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the scheme's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing correspondence with the Pensions Regulator.

### 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  
Statutory Auditor  
Birmingham  
United Kingdom  
Date:

## Section 4 – Financial Statements

### Fund Account for year ended 30 September 2022

	<i>Notes</i>	2022 £000	2021 £000
<b>CONTRIBUTIONS AND BENEFITS</b>			
Contributions	4	-	508
Other income		47	-
		<u>47</u>	<u>508</u>
Benefits paid or payable	5	(30,941)	(30,472)
Payments to and on account of leavers	6	(8,068)	(9,972)
Other payments	7	(248)	(353)
Administrative expenses	8	(961)	(969)
		<u>(40,218)</u>	<u>(41,766)</u>
<b>Net withdrawals from dealings with members</b>		<b>(40,171)</b>	<b>(41,258)</b>
<b>RETURNS ON INVESTMENTS</b>			
Investment income	10	28,006	33,430
Change in market value of investments	12	(404,932)	(46,465)
Investment management expenses	11	(2,443)	(2,788)
<b>Net loss on investments</b>		<u><b>(379,369)</b></u>	<u><b>(15,823)</b></u>
<b>Net decrease in the Scheme</b>		<b>(419,540)</b>	<b>(57,081)</b>
<b>Net Assets of the Scheme at start of year</b>		<b>1,272,127</b>	<b>1,329,208</b>
<b>Net Assets of the Scheme at end of year</b>		<u><b>852,587</b></u>	<u><b>1,272,127</b></u>

The notes on pages 30 to 50 form part of these financial statements.

## Financial Statements (continued)

## Statement of Net Assets (available for benefits) as at 30 September 2022

	Notes	2022 £000	2021 £000
<b>Investment assets:</b>			
Bonds	12	1,057,423	1,703,386
Pooled investment vehicles	12	266,129	515,356
Derivatives	12	32,885	67,978
Amounts receivable under Reverse Repurchase Agreements	12	-	123,294
SPV Asset	12	25,100	33,400
AVC investments	12	3,681	4,389
Investment debtor	12	56,023	3
Cash deposits	12	4,912	4,738
Other investment balances	12	5,674	8,770
		<u>1,451,827</u>	<u>2,461,314</u>
<b>Investment liabilities:</b>			
Short-sold bonds	12	-	(121,812)
Derivatives	12	(25,076)	(72,314)
Amounts payable under Repurchase Agreements	12	(583,386)	(998,478)
		<u>(608,462)</u>	<u>(1,192,604)</u>
<b>Total net investments</b>		<b>843,365</b>	1,268,710
<b>Current assets</b>	13	<b>10,319</b>	4,507
<b>Current liabilities</b>	14	<b>(1,097)</b>	(1,090)
<b>Total Net Assets (available for benefits) of the Scheme</b>		<b>852,587</b>	1,272,127

The notes on pages 30 to 50 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 Scheme 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:

\_\_\_\_\_  
Trustee Director

\_\_\_\_\_  
Date

## Section 5 – Notes to the Financial Statements

### Notes to the financial statements for the year ended 30 September 2022

#### 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').

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.

#### 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 LLP, 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 Other Income

Other income is accounted for on an accruals basis.

##### 3.3 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.

##### 3.4 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.

##### 3.5 Transfers to other Schemes

Transfer values relating to early leavers are included at values determined by the Scheme 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.



**Notes to the financial statements for the year ended 30 September 2022 (continued)****3 ACCOUNTING POLICIES (CONTINUED)****3.6 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.

**3.7 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.

Bonds and short sold bonds are quoted at "clean" (without accrued interest) value. Accrued interest is included in investment income receivable.

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.

**Notes to the financial statements for the year ended 30 September 2022 (continued)****3 ACCOUNTING POLICIES (CONTINUED)****3.7 Investments (continued)**

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 XPS 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.

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

**Notes to the financial statements for the year ended 30 September 2022 (continued)****3 ACCOUNTING POLICIES (CONTINUED)****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.

**3.9 Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the Trustee has made the following judgements:

Determined whether there are any indicators of impairment of the Scheme's investment assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and the viability and expected future performance of that asset.

There are no other key sources of estimation uncertainty.

**4 CONTRIBUTIONS**

	<b>Total 2022</b>	Total 2021
	<b>£000</b>	£000
Deficit funding	-	188
Employer additional contributions re expenses	-	320
	<u>-</u>	<u>508</u>

Under the Schedule of Contributions signed in May 2021, the Scheme's deficit has been eliminated from 31 December 2020 so there are no more deficit reduction contributions due to the Scheme from this date.

Under the Schedule of Contributions signed in May 2021, the Scheme is no longer due contributions from the Sponsoring Employer to cover the cost of Administration and Management expenses.

**Notes to the financial statements for the year ended 30 September 2022 (continued)****5 BENEFITS PAID OR PAYABLE**

	<b>Total 2022</b>	Total 2021
	<b>£000</b>	£000
Pensions payable	<b>25,735</b>	24,518
Commutations of pensions and lump sum retirement benefits	<b>4,971</b>	5,468
Lump sum death benefits	<b>235</b>	486
	<b>30,941</b>	30,472

**6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS**

	<b>Total 2022</b>	Total 2021
	<b>£000</b>	£000
Individual transfers to other schemes	<b>8,068</b>	9,972

Included in the above transfers out figure is a transfer of £101k (2021: £nil) in respect of members from the DC section.

**7 OTHER PAYMENTS**

	<b>Total 2022</b>	Total 2021
	<b>£000</b>	£000
Irrecoverable VAT	<b>248</b>	353

The Principal Employer reclaims VAT on behalf of the Scheme and irrecoverable VAT arises due to the employer being restricted in the amount of VAT it can reclaim.

**8 ADMINISTRATIVE EXPENSES**

	<b>Total 2022</b>	Total 2021
	<b>£000</b>	£000
Administration and processing	<b>508</b>	551
Actuarial and consulting fees	<b>432</b>	390
Audit Fee	<b>21</b>	28
	<b>961</b>	969

In accordance with the Schedules of Contributions, the Employer directly met the PPF levies for the year ended September 2022, this was £24,258 (2021: £484,119).

**Notes to the financial statements for the year ended 30 September 2022 (continued)****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).

**10 INVESTMENT INCOME**

	<b>Total 2022</b>	Total 2021
	<b>£000</b>	£000
Income from pooled investment vehicles	<b>4,575</b>	5,814
Income from bonds	<b>28,584</b>	29,852
Interest on cash deposits	<b>(42)</b>	(9)
Bank interest	-	6
Annuity income	<b>190</b>	203
Interest payable on swaps or repurchase agreements	<b>(5,301)</b>	(2,436)
	<b>28,006</b>	33,430

**11 INVESTMENT MANAGEMENT EXPENSES**

	<b>Total 2022</b>	Total 2021
	<b>£000</b>	£000
Administration, management and custody	<b>2,443</b>	2,788

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 2022 (continued)

## 12 INVESTMENTS

## 12.1 INVESTMENT RECONCILIATION

	<i>Opening value at 1 October 2021</i>	<i>Purchase cost and derivative payments</i>	<i>Sales proceeds and derivative receipts</i>	<i>Change in market value</i>	<i>Closing value at 30 September 2022</i>
	£000	£000	£000	£000	£000
Bonds (net)	1,581,574	343,836	(472,026)	(395,961)	1,057,423
Pooled investment vehicles	515,356	416,113	(657,880)	(7,460)	266,129
Derivatives (net)	(4,336)	50,900	(42,092)	3,337	7,809
SPV asset	33,400	-	(3,666)	(4,634)	25,100
AVC investments	4,389	-	(494)	(214)	3,681
	<b>2,130,383</b>	810,849	(1,176,158)	(404,932)	<b>1,360,142</b>
Cash deposits	4,738				4,912
Repurchase agreements (net)	(875,184)				(583,386)
Investment debtor	3				56,023
Other investment balances	8,770				5,674
<b>TOTAL NET INVESTMENTS</b>	<b>1,268,710</b>				<b>843,365</b>

Bonds reflect the net of both the long and short positions.

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.

**Notes to the financial statements for the year ended 30 September 2022 (continued)****12.2 POOLED INVESTMENT VEHICLES (PIV)**

The holdings of PIVs are analysed below:

	<b>2022</b>	2021 (reclassified)
	<b>£000</b>	£000
Property	-	105,728
Global Bonds	<b>13,012</b>	229,368
Illiquid Credit	<b>166,845</b>	173,219
Liquidity	<b>86,272</b>	7,041
	<b>266,129</b>	515,356

**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:

	<b>2022</b>	2021
	<b>£000</b>	£000
Abrdn Life and Pensions	<b>1,043</b>	1,432
Aviva	-	16
Clerical Medical	<b>927</b>	1,134
Prudential	<b>206</b>	263
Utmost Life	<b>12</b>	14
Standard Life Investments	<b>1,489</b>	1,527
Zurich	<b>4</b>	3
	<b>3,681</b>	4,389

Due to materiality, the DC section investments are included in the above balances and are held with Abrdn Life and Pensions Limited (formerly: Aberdeen Standard Investments) with a value of £1,043k at 30 September 2022 (2021: £1,432k) and Standard Life Investments with a value of £1,489k at 30 September 2022 (2021: £1,527k).

**Notes to the financial statements for the year ended 30 September 2022 (continued)****12.4 DERIVATIVES**

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.
- Futures - where cash is held for short-term liquidity, the Trustee has entered into index-based contracts of equivalent economic value to avoid being "out-of-the-market".

	<b>2022</b>			<b>2021</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Swaps	<b>19,366</b>	-	<b>19,366</b>	6,311	(7,427)	(1,116)
Futures	<b>12,163</b>	<b>(12,163)</b>	-	60,499	(60,499)	-
Forward foreign exchange	<b>1,356</b>	<b>(12,913)</b>	<b>(11,557)</b>	1,168	(4,388)	(3,220)
	<b>32,885</b>	<b>(25,076)</b>	<b>7,809</b>	67,978	(72,314)	(4,336)

**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:

<b>Nature</b>	<b>Number of Contracts</b>	<b>Notional Principal</b>	<b>Duration</b>	<b>Asset value at year end</b>	<b>Liability value at year end</b>
		<b>£000</b>		<b>£000</b>	<b>£000</b>
Interest rate swap	50	162,720	2023 to 2052	19,366	-
<b>Total 2022</b>				<b>19,366</b>	<b>-</b>
Total 2021				6,311	(7,427)



**Notes to the financial statements for the year ended 30 September 2022 (continued)****12.4 DERIVATIVES (CONTINUED)****Swaps (continued)**

At 30 September 2022, collateral of £18.5m (2021: £9.3m) was pledged and collateral of £15.2m (2021: £2.2m) was held in relation to outstanding Swap contracts. Collateral pledged consisted of £17.0m (2021: £9.3m) of government bonds and £1.5m of cash (2021: £nil). Collateral held consisted of £15.2m (2021: £2.2m) of cash.

**Forward Foreign Exchange (FX)**

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

<b>Nature</b>	<b>Currency Bought 000</b>	<b>Currency Sold 000</b>	<b>Settlement Date</b>	<b>Asset value at year end £000</b>	<b>Liability value at year end £000</b>
Buy GBP sold EURO	£26,378	(€30,267)	Oct – Nov 22	-	(640)
Buy GBP sold USD	£170,785	(\$203,565)	Oct – Nov 22	-	(12,162)
Buy USD sold GBP	\$15,155	(£13,401)	Oct – Nov 22	283	(111)
Other	£1,073	(£nil)	Jan 23	1,073	-
<b>Total 2022</b>				<b>1,356</b>	<b>(12,913)</b>
Total 2021				1,168	(4,388)

For the year ended 30 September 2022, the balance of Exchange Traded Futures is less than £1,000k (2021: less than £1,000k).

**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 net assets as at 30 September 2022.

	<b>2022</b>		<b>2021</b>	
	<b>£000</b>	<b>% of net assets</b>	<b>£000</b>	<b>% of net assets</b>
Insight Liquidity Fund (Zero Management Fee)	<b>86,272</b>	<b>10.1</b>	7,041	0.6
M&G Illiquid Credit Opportunities Fund	<b>69,273</b>	<b>8.1</b>	71,854	5.6
Ares Secured Income Fund GP LLC	<b>56,665</b>	<b>6.6</b>	60,501	4.8
Insight High Grade ABS Fund	<b>13,011</b>	<b>1.5</b>	229,368	18.0

**Notes to the financial statements for the year ended 30 September 2022 (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:

	<b>2022</b>	2021
	<b>£000</b>	£000
Contracts held under repurchase agreements	<b>(583,386)</b>	(998,478)
Contracts held under reverse repurchase agreements	-	123,294
	<b>(583,386)</b>	(875,184)

As disclosed in Note 19, there was significant market volatility at 30 September 2022 and a resultant impact on collateral volumes. As a consequence, the market data available at 30 September 2022 would not have reflected an accurate exposure position so the collateral is disclosed at 5 October 2022. At 5 October 2022, collateral of £226.4m (30 September 2021: £14.2m) was pledged in relation to outstanding repurchase agreements, and collateral of £nil (30 September 2021: £3.3m) 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**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Cash</b>		
Cash Deposits – Sterling	<b>3,226</b>	4,504
Cash Collateral – Overseas	<b>1,686</b>	234
	<b>4,912</b>	4,738
	<b>2022</b>	2021
<b>Investment debtor</b>	<b>£000</b>	£000
Pending transactions	<b>56,023</b>	3
	<b>2022</b>	2021
<b>Other investment balances</b>	<b>£000</b>	£000
Accrued investment income	<b>5,674</b>	8,770

**Notes to the financial statements for the year ended 30 September 2022 (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:

<b>As at 30 September 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bonds (net)	-	1,057,423	-	1,057,423
Pooled investment vehicles	86,272	53,918	125,939	266,129
Derivatives (net)	(11,556)	19,365	-	7,809
SPV asset	-	-	25,100	25,100
AVC investments	-	3,437	244	3,681
Cash	4,912	-	-	4,912
Repurchase agreements (net)	-	(583,386)	-	(583,386)
Investment debtor	56,023	-	-	56,023
Other investment balances	5,674	-	-	5,674
	<b>141,325</b>	<b>550,757</b>	<b>155,283</b>	<b>843,365</b>

<b>As at 30 September 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bonds (net)	-	1,581,574	-	1,581,574
Pooled investment vehicles	7,041	375,960	132,355	515,356
Derivatives (net)	(3,220)	(1,116)	-	(4,336)
SPV asset	-	-	33,400	33,400
AVC investments	-	4,127	262	4,389
Cash	4,738	-	-	4,738
Repurchase agreements (net)	-	(875,184)	-	(875,184)
Investment debtor	3	-	-	3
Other investment balances	8,770	-	-	8,770
	<b>17,332</b>	<b>1,085,361</b>	<b>166,017</b>	<b>1,268,710</b>

Repurchase agreements being level 2 based on underlying instruments exchanged.

**Notes to the financial statements for the year ended 30 September 2022 (continued)****12.10 SPECIAL PURPOSE VEHICLE (SPV) ASSET**

	2022	2021
	£000	£000
SPV asset	<b>25,100</b>	33,400

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.

Since September 2020, the valuations are for the guaranteed cash flows element of the SPV valuation only, and do not include an updated value of the underlying property assets.

**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 2022 (continued)

### 12.11 INVESTMENT RISKS (CONTINUED)

#### Market risk (continued)

##### 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 the overseas currency exposure in the segregated mandates back to Sterling; direct currency exposure at the year-end was implicitly 0% (2021: 0.0%).

Indirect currency risk arises from the Scheme's investment in Sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currencies.

The Scheme also had exposure to indirect currency risk through its holdings in two Secured Finance funds and the High-Grade ABS Fund. The Secured Finance funds consists of underlying investments in debt and debt related securities, loan investments and structured financial instruments which may be issued world-wide, denominated in any currency and may / may not be listed on recognised exchanges and markets. The funds are Sterling priced, however the managers may use underlying currency exposures as part of their investment strategy.

Some of the investment managers may utilise currency hedging as a means of protecting a fund's value against currency movements. In extreme market conditions, the hedge may not be perfect, and the fund may be exposed to currency changes. In instances where returns are not hedged, this may be a deliberate and calculated action taken by the manager as a means of generating additional returns through expected currency movements. The Trustee reviews the strategies employed by the manager as part of their ongoing monitoring of the Scheme.

##### Interest rate risk

The Scheme is subject to direct interest rate risk where the Scheme's investments are held in government bonds, repurchase agreements, interest rate and bond derivatives and cash, as segregated investments. In the case of the Buy and Maintain Credit 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 Trustee has set a benchmark for total investment in liability hedging assets of 52% (including the High-Grade ABS and collateral assets) (2021: 45.0%) 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 (including High Grade ABS and Liquidity), managed by Insight Investment Management (Global) Limited ("Insight") represented 36.5% of the total investment portfolio (2021: 44.0%). As at year end 2022, the hedge ratio of the Scheme's inflation linked liabilities on the Trustee's liability hedging basis (gilts + 0.25% p.a.) was 96.1% (2021: c.96.8% on gilts + 0.5% p.a.) and therefore broadly in line with the Trustee's target of 96%. The hedge ratio of the Scheme's fixed liabilities on the Trustee's liability hedging basis (gilts + 0.25% p.a.) was 95.5% (2021: c.96.2% on gilts + 0.5% p.a.) and therefore broadly in line with the Trustee's target of 96%. 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.

**Notes to the financial statements for the year ended 30 September 2022 (continued)****12.11 INVESTMENT RISKS (CONTINUED)****Interest rate risk (continued)**

The Scheme also had indirect exposure to interest rate risk over the year through investments in Secured Finance and High-Grade ABS funds. The Long Lease Property funds, which were held for a short period of time at the start of the reporting period, may have also been subject to indirect interest rate risk where the investment manager uses a discount cashflow methodology for valuing the underlying properties.

Any interest rate sensitivity from these funds is considered immaterial and therefore not allowed for in Insight's liability hedging arrangements. The interest rate sensitivity within the Secured Finance and High-Grade ABS mandates is limited as the underlying investments are predominantly floating rate in nature.

The small cash holding also had exposure to interest rate risk through short-dated money market instruments. Given the length of term of these instruments, the interest rate sensitivity is expected to be minimal and therefore not allowed for in Insight's liability hedging arrangements.

**Other price risk**

Other price risk arises principally in relation to the Scheme's return seeking assets. During the year, the Scheme was exposed to other price risk through its investments in return seeking assets. Whilst the Buy & Maintain Credit and High Grade ABS may be considered as matching assets (where ABS is used for LDI collateral purposes), these assets are still expected to generate returns in excess of the risk free rate.

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 64.7% of total assets (2021: 74.6%).

The Segregated LDI portfolio may also be considered to be exposed to other price risk where it includes Index Linked Bonds that are sensitivity to changes in long term inflation expectations. At year end, the Scheme's LDI portfolio consisted of £421.4m of Index Linked Bonds (2021: £706.4m).

**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. The Scheme also invests in pooled investment vehicles which may invest in sovereign government bonds and corporate bonds.

As at year end, the Scheme had exposure to investment grade bonds, related derivatives and cash which amounted to £482.5m (2021: c.£1,591.7m) and £9.1m of non-investment grade corporate bonds (2021: c.£4.3m) in segregated vehicles. The Scheme is directly exposed to credit risk arising from pooled investment vehicles and is indirectly exposed to credit risks arising on the underlying investments held by these pooled investment vehicles.

**Notes to the financial statements for the year ended 30 September 2022 (continued)****12.11 INVESTMENT RISKS (CONTINUED)****Credit risk (continued)**

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

	<b>2022</b>	2021
	<b>£000</b>	£000
Unit Linked Insurance Contracts	-	50,576
Qualifying Investor Alternative Investment Fund	<b>110,180</b>	112,719
Authorised Unit Trusts	-	55,152
Open Ended Investment Company	<b>99,284</b>	236,408
Shares of Limited Liability Partnerships	<b>56,665</b>	60,501
	<b>266,129</b>	515,356

The pooled investment arrangements used by the Scheme at year end comprise OEICs (the Insight High Grade ABS Fund and Insight Liquidity 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 monitor 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, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. 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.

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 manager.

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 2022 (continued)

### 12.11 INVESTMENT RISKS (CONTINUED)

#### Credit risk (continued)

Indirect credit risk also arises in respect of the Scheme's allocation to Secured Finance and High-Grade ABS and as a high proportion of the value of the underlying investments held within the pooled funds relate to debt or contractual obligations. The investment managers are responsible for controlling this credit risk by monitoring the credit quality of tenants.

The total value of pooled investment vehicles at year end exposed to indirect credit risk was £179.9m. (2021: c£508.4m).

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

#### Government bonds

Credit risk arising on government bonds held directly and within pooled funds is mitigated by investing specifically in UK government bonds whereby the credit risk is deemed minimal. Some of the Buy & Maintain Credit, Secured Finance and 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 (Secured Finance and High-Grade ABS funds) and those held directly (in the segregated Buy & Maintain corporate bond mandates) 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 potential 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 possible corrective action with the Trustee. The RLAM portfolio has a hard limit of 15% of the total portfolio being invested in non-investment grade bonds. The pooled Secured Finance and High-Grade ABS funds may also invest in non-investment grade bonds as part of their strategies to add value.

#### 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 2022 (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 Trustee, has agreed restrictions with Insight in their investment guidelines set out in the 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 Trustee has also set out certain limits with respect to repurchase agreements within Insight's LDI portfolio guidelines.

**Notes to the financial statements for the year ended 30 September 2022 (continued)****12.11 INVESTMENT RISKS (CONTINUED)****DC Section**

<b>Manager</b>	<b>Fund Name</b>
Abrdn (formerly Aberdeen Standard)	Multi-Asset Fund
Standard Life (formerly Aberdeen Standard)	Managed Pension Fund
Standard Life (formerly Aberdeen Standard)	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**

<b>Fund</b>	<b>Credit risk</b>	<b>Currency risk</b>	<b>Interest rate risk</b>	<b>Other price risk</b>
Abrdn Multi-Asset Fund	✓	✓	✓	✓
Standard Life Managed Fund	✓	✓	✓	✓
Standard Life With Profits Fund	✓	✓	✓	✓

Source: Aberdeen Standard.

**Notes to the financial statements for the year ended 30 September 2022 (continued)****13 CURRENT ASSETS**

	<b>Total 2022</b>	Total 2021
	<b>£000</b>	£000
Balance at bank	<b>8,551</b>	2,869
Due from employer in respect of VAT	<b>86</b>	35
Payroll paid in advance	<b>1,656</b>	1,603
Other debtors	<b>26</b>	-
	<b>10,319</b>	4,507

**14 CURRENT LIABILITIES**

	<b>Total 2022</b>	Total 2021
	<b>£000</b>	£000
Administrative expenses	<b>945</b>	739
PAYE due to HMRC	<b>46</b>	43
Benefits payable	<b>106</b>	308
	<b>1,097</b>	1,090

**15 RELATED PARTY TRANSACTIONS**

During the year, two of the former Trustee Directors receive a pension from the Scheme (2021: two).

During the year Trustee Directors were paid £167,607 (2021: £93,796) for their services, of this balance, £25,108 (2021: £14,824) was outstanding at the year-end.

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 2022 (2021: nil), except as disclosed in Note 18.

**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 2022 (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 2022, 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.

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.

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. It is not possible to reliably estimate the value of any such adjustments at this point in time.

**19 SUBSEQUENT EVENTS**

In September 2022, following the announcement of the mini-Budget from the Chancellor of the Exchequer and the UK Government, the fiscal statement caused significant volatility in the UK Bond market subsequent to the Scheme year-end and at December 2022, the investment assets of the Scheme were valued at c. £829m. The Trustees, with the help of the Investment Consultant, will continue to monitor the impact on the Schemes investment portfolio.

Other than noted above, there were no subsequent events requiring disclosure in the financial statements.

## Section 6 – Independent Auditor's 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 2022.

### Opinion

In our opinion contributions for the Scheme year ended 30 September 2022 as reported in the Summary of Contributions, and payable under the Schedule of Contributions, have in all material respects been paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 4 May 2021.

### 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 52 have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the 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  
Statutory Auditor  
Birmingham, United Kingdom  
Date:

## 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 Schedules of Contributions certified by the Scheme Actuary on 4 May 2021 in respect of the Scheme year ended 30 September 2022. The Scheme auditor reports on these contributions payable under the Schedules 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:

	<b>£000</b>
<b>Required by the schedule of contributions</b>	
Deficit funding	-
Employer additional contributions re expenses	-
<b>Total contributions payable under the Schedule of Contributions (as reported on by the Scheme Auditor) and reported in the financial statements</b>	<b>-</b>

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

\_\_\_\_\_ Trustee Director

\_\_\_\_\_ Date

## Section 8 – Actuarial Statement & Certificate

### **Adequacy of contributions**

In my opinion, the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

### **Consistency with statement of funding principles**

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated May 2021.

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

Signature	
Date	May 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 2022

#### Purpose

This Implementation statement provides information on how, and the extent to which, the Trustee of the Travis Perkins Pension & Dependants' Benefit Scheme ("the Scheme") has followed the policies documented in their Statement of Investment Principles ("SIP") during the year ended 30 September 2022 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year. This statement relates to the Defined Benefit ("DB") Section, and the Defined Contribution ("DC") section of the Travis Perkins Pension & Dependants' Benefit Scheme.

#### Latest review of the Statement of Investment Principles

The latest version of the Scheme's SIP came into effect in July 2020 and was applicable during the reporting year. There are two parts to the SIP, covering the DB Section and the DC Section. This reflects the operational differences between the two sections of the Scheme.

A default arrangement SIP forms an appendix to the DC Section SIP. This appendix details the Trustees policies regarding the default arrangement of the DC and AVC assets, which is to invest into the Clerical Medical BlackRock Balanced Lifestyle Strategy. This default arrangement SIP is to be updated in the following reporting year upon the completion of the transfer of the DC assets to the default.

#### Investment-related activity during the reporting year

##### Significant changes

During the reporting year, Ross Trustees Services Limited replaced Cobtree Nominees Limited as Trustee to the Travis Perkins Pension & Dependants' Benefit Scheme. At the year end, the Trustee, together with the Investment Adviser, continued to explore potential changes to both the DB and DC sections of the Scheme.

##### Asset allocation / fund reviews

In understanding that asset allocation plays an important role in achieving investment objectives, the Trustee regularly monitors the asset allocation of both the DB and DC section of the Scheme to ensure that this is in line with their current investment objectives.

During the reporting period, the Trustee disinvested from the property allocation (LGIM LPI Income Property Fund and M&G Secured Property Income Fund).

In addition, the Trustee agreed to investment strategy changes within the DC section of the Scheme, however this was put on hold towards the end of September 2022 due to increased market turmoil as a result of the UK government 'mini-budget' announcement and the ensuing gilt crisis. The transition to the proposed DC strategy was resumed in December 2022.

##### Trustee training

Over the course of the reporting year, the Trustee received training on the following investment topics:

- Environmental, Social and Governance ("ESG") and sustainability considerations.
- Taskforce for Climate Related Financial Disclosures (TCFD).

##### Manager Presentations

During the reporting year, the following managers attended Trustee meetings:



## Implementation Statement (continued)

- Insight Investments
- Royal London Asset Management

### CMA Objectives / Order

During the reporting year, the Trustee reviewed their investment consultant objectives in line with the 10 June 2019 CMA Order.

## How the SIP has been followed during the year

The Trustee has various investment policies for the Scheme on the topics listed in the tables below; the tables also provide commentary on how and the extent to which the various policies were followed during the reporting year

### DB Section

Policy	How the policy was followed
<p><b>Scheme governance</b></p> <p>The Trustee is accountable for the investment of the Scheme's assets and has the responsibility to manage the Scheme's affairs effectively. The Trustee decides what to delegate after considering whether they have the necessary skills, knowledge, and professional support to make informed decisions. The Trustee delegates some aspects of the Scheme's investment arrangements to third party service providers, in order to manage the Scheme's affairs effectively. The Trustee decides what to delegate after considering whether they have the necessary skills, knowledge and professional support to make informed and effective decisions. The Trustee retains overall responsibility and decision-making power over investment objectives, implementing the investment strategy, the target level of risk and return, investment strategy (the allocation between the main asset classes) and whether to invest in new asset classes.</p>	<p>For both the DB and DC sections, the Trustee continues to ensure their policies are met.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>

## Implementation Statement (continued)

<p><b>Investment Objectives</b></p> <p>The Trustee's primary investment objective is to invest the Scheme's DB assets, within an agreed risk profile, in such a manner that members' benefit entitlements can be paid as and when they fall due.</p> <p>Within the DC section, the Trustee encourages members to seek independent financial advice from an appropriate party in determining the most suitable investment strategy for their individual circumstances.</p>	<p>The Trustee regards the funds held in the DB Section to be appropriate by incorporating assets of appropriate income and liquidity to meet the Trustee's overall investment objectives and to aim to ensure members' benefits can be paid as they fall due.</p> <p>Within the DC section, the Trustee encourages members to seek independent financial advice from an appropriate party in determining the most suitable investment strategy for their individual circumstances. There were no changes to the Trustee's investment strategy in respect of the DC Section and the Trustee remained satisfied they followed the policy in full by offering a selection of funds that invest in several assets classes.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p><b>Risk and Return</b></p> <p>The Trustee's targets a return consistent with the assumptions made in determining the Scheme's Technical Provisions. The Trustee's policy in relation to the DB section is to invest in a diversified portfolio of return seeking assets and liability matching assets to meet that level of return at controlled levels of risk.</p> <p>Within the DC Section of the Scheme the Trustee has considered the specific risks outlined in section 8.2 of the SIP.</p>	<p>The funds held by the DB Section incorporated both return seeking assets (e.g. buy and maintain credit, secured finance) and liability matching assets (Liability Driven Investments).</p> <p>The Scheme 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. Furthermore, the DC section also offers a range of investment funds with different risk and return characteristics.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p><b>Diversification of risks</b></p> <p>The Trustee seeks to spread risks across a range of different sources. They consider the following risks, which they consider as financially material to the Scheme over its anticipated lifetime.</p> <ul style="list-style-type: none"> <li>- Interest rate risk</li> <li>- Inflation risk</li> <li>- Credit risk</li> <li>- Currency risk</li> <li>- Other price risk</li> <li>- Environmental, Social and Governance (ESG) risk and climate change risk.</li> </ul>	<p>The Trustee receives strategic investment advice from the Investment Adviser that includes risk modelling and quantification (e.g. Value at Risk) whenever strategic changes are considered. The Trustee considers both quantitative and qualitative measures for these risks when deciding on strategic asset allocation, deciding on investment policies and the choice of funds, fund managers and asset classes. The Trustees employ liability hedging to explicitly limit interest rate and inflation risk within the Scheme. The Investment Manager's role and approach to managing risk is part of the ongoing monitoring of such managers, particularly when selecting a new Investment Manager during any investment strategy review actions.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>

Implementation Statement (continued)

<p>Investment Manager Appointment, Engagement and Monitoring</p> <p>The Trustee policy is in relation to:</p> <ul style="list-style-type: none"> <li>- Aligning manager appointments with investment strategy</li> <li>- Evaluating investment manager performance</li> </ul>	<p>The Trustee receives quarterly reporting from their investment Adviser, which includes the asset allocation and compares this with the desired long term strategic allocation. The quarterly report also includes an update on the markets over the period and any market risks on the horizon. This quarterly monitoring provided by XPS furnishes the Trustee with the underlying asset class/sector exposures to monitor any unintended risk being taken.</p> <p>The Trustee review the DC and AVC providers' proposition, including the remuneration they receive for their services, on an annual basis as part of the "Value for Money Assessment"</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p>Portfolio Turnover Costs</p> <p>The Trustee does not regularly monitor the portfolio turnover costs of the main DB assets. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs.</p>	<p>Investment manager performance is reported net of transaction costs and therefore managers are incentivised to keep portfolio turnover costs to a minimum.</p> <p>Manager's remuneration is taken into consideration during manager selection exercises, to ensure the Scheme is not paying excessive fees that would detract from the Scheme's return.</p> <p>The Trustee has commissioned a review of the ongoing costs borne by the Scheme (cost transparency initiative).</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p>Manager Turnover</p> <p>The Trustee is a long term investor and do not look to change investment arrangements on a frequent basis. The Scheme will retain an investment manager unless:</p> <ul style="list-style-type: none"> <li>- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;</li> <li>- The manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate.</li> </ul>	<p>During the reporting year, the Scheme's investments in LGIM LPI Income Property Fund and M&amp;G Secured property Income Fund were divested from as a de-risking step to reduce both the risk and the expected return to a more prudent level.</p> <p>As at the end of the reporting year, the Trustee remained comfortable that the respective investment managers can deliver their mandates.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>

Implementation Statement (continued)

<p><b>Responsible Investment and Corporate Governance</b>                  The Trustee's policy is to consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers.</p>	<p>When implementing a new manager, the Trustee considers the ESG rating of the manager. There were no new manager appointments over the year. In any future investment strategy reviews, the Trustee will take into consideration manager ESG ratings.</p> <p>The Trustee is reviewing the Buy &amp; Maintain Credit mandates from an ESG and sustainability perspective.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p><b>Non-financial matters</b>                  The Trustee's policy is to act in the best interests of the beneficiaries of the Scheme when selecting, retaining or realising investments. It has neither sought nor taken into account the beneficiaries' views on risks including (but not limited to) ethical, social and environmental issues.</p>	<p>For both the DB and DC sections, the Trustee delegates the management of scheme assets to the investment managers. The investment managers are expected to take account of non-financial considerations within the decision-making process.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p><b>Voting rights</b>                  The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers.</p>	<p>For both the DB and DC sections, the investment managers are expected to vote in accordance with their internal voting policies.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>

DC Section

During the reporting year the Trustee is satisfied that they followed the investment policies within the DC Section in the following ways:

## Implementation Statement (continued)

<p>Kinds of investments to be held.</p> <p>Owing to the DC Section receiving no further contributions and being closed to new members the DC Section didn't have a default investment strategy.</p> <p>Following the transfer of the DC assets from the current arrangement to the one proposed by XPS, a default arrangement will be formed. This will be reported in the Implementation Statement for the following reporting year.</p>	<p>A small range of multi-asset self-select funds managed by Abdm and Standard Life are made available which the Trustee believes is appropriate for members. No changes were made to the Scheme's investments over the year and the Trustee believes the range of funds remains appropriate.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p>Investment Objective.</p> <p>Within the DC section, the Trustee encourages members to seek independent financial advice from an appropriate party in determining the most suitable investment strategy for their individual circumstances.</p>	<p>Within the DC section, the Trustee encourages members to seek independent financial advice from an appropriate party in determining the most suitable investment strategy for their individual circumstances. The Trustee remained satisfied they followed the policy in full by offering a selection of funds that invest in several assets classes.</p> <p>The Trustee is satisfied that they are following this policy in full.</p>
<p>Risk and return targets.</p> <p>Within the DC Section of the Scheme the Trustee has considered the specific risks outlined in section 8.2 of the SIP.</p>	<p>The Scheme 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.</p> <p>The Trustee is satisfied that they followed the policy in full by offering investment funds with different risk-reward characteristics.</p>
<p>Meeting the expected level of investment return.</p> <p>The funds are expected to achieve returns in excess of inflation over the long term and preserve members' purchasing power for these assets.</p>	<p>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) as part of the annual "Value for Money Assessment".</p> <p>The Trustee is satisfied that they followed the policy in full over the reporting period.</p>
<p>Realisation of investments.</p> <p>The Trustee recognises that assets may need to be realised to meet the members obligations, and so made all assets ready realisable to members over the period.</p>	<p>The DC Scheme's assets are managed in 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.</p> <p>The Trustee is satisfied that it has followed the policy to a reasonable extent over the reporting period.</p>



Implementation Statement (continued)

<p>Arrangements with Investment Managers.</p>	<p>The Trustee review the DC and AVC providers' proposition, including the remuneration they receive for their services, on an annual basis as part of the "Value for Money Assessment"</p> <p>The Trustee is satisfied that they followed the policy in full over the period.</p>
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**Voting activity**

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the investment managers to report on significant votes made on behalf of the Trustee.

The voting activity of the Scheme over the reporting year is in relation to the funds the Scheme was invested into throughout the period. The main asset class where the investment managers will have voting rights is equities, as it represents the equity ownership and shareholder's stake within the underlying business. There are likely to be no voting rights for credit-based assets or funds that invest into them. As such, there was no voting activity within the DB section where the investment strategy is underpinned by credit based assets.

Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is given below for the DC section. Please note that some managers only report their voting activity on a quarterly or yearly basis, and so the voting period may not align with the Schemes reporting year. The voting period of the fund is given below. Based on this summary, the Trustee concluded that the investment managers have exercised their delegated voting rights on behalf of the Trustee in a way that aligns with the Trustee's relevant policies in this regard.

**DC Section**

**Voting Policy of Abrdn**

<p>Manager's policy on consulting with clients before voting Abrdn will consult with clients who have a segregated mandate in place.</p>
<p>How has the manager made use of the proxy voting services Abrdn utilise the services of ISS for all their voting requirements.</p>
<p>What process manager follows for determining "most significant" votes At Abrdn view all votes as significant and vote all shares globally for which they have voting authority, unless there are significant voting obstacles such as shareblocking. In line with PLSA requirements they identify and record what they deem to be the most significant votes across all their holdings. They have identified five categories of votes they consider as significant and have ordered these based on their view of their importance. This enables them to provide a specified number of votes across a client's portfolio upon request. Members of their Central ESG Investment Function carry out a monthly review to identify and categorise significant votes. These categories and details of the underlying votes captured are as follows:</p> <p>Significant Vote Category 1 (SVT): High Profile Votes</p> <ul style="list-style-type: none"> <li>• Focus on votes which received public and press interest with a focus on their large, active holdings</li> <li>• Focus on votes which reflect significant governance concerns regarding the company</li> <li>• Resolutions proposed by Abrdn</li> </ul>

## Implementation Statement (continued)

## Significant Vote Category 2 ('SV2'): Shareholder and Environmental &amp; Social (E&amp;S) Resolutions

- Votes on shareholder E&S proposals where they have engaged with the proponent or company on the resolution
- Votes on management-presented E&S proposals
- Focus on shareholder proposals where they have voted contrary to management recommendations

## Significant Vote Category 3 ('SV3'): Engagement

- Focus on resolutions where they have engaged with the company on a resolution
- Focus on resolutions where post-engagement they voted contrary to their custom policy

## Significant Vote Category 4 ('SV4'): Corporate Transactions

- Focus on selected votes which have a financial impact on the investment with a focus on acquisitions

## Significant Vote Category 5 ('SV5'): Votes contrary to custom policy

- Focus on large active holdings where they have voted contrary to custom policy following analysis

Manager	Abrdn
Voting activity date range	01/10/2021 – 30/09/2022
Fund name	Aberdeen Standard With Profits
Number of company meetings the manager was eligible to vote at over the year	934
Number of resolutions the manager was eligible to vote on over the year	12,988
Percentage of resolutions the manager voted on	97.5%
Percentage of resolutions the manager abstained from	0.3%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	82.1%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	17.5%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	13.5%

## Implementation Statement (continued)

	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Mediobanca SpA	The TJX Companies, Inc	Walmart Inc	Teleperformance SE	Carrefour SA
Date of Vote	28/10/2021	07/06/2022	01/06/2022	14/04/2022	03/06/2022
Summary of the resolution	Amend Company Bylaws Re: Articles 15, 18, and 23	Report on Risk Due to Restrictions on Reproductive Rights)	Prepare Report on Health Care Reform	Advisory Vote to Ratify Named Executive Officers' Compensation. Approve remuneration policy.	Approve Company's Climate Transition Plan
How the manager voted	For	Abstain	Abstain	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	N/A – vote was not against management	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	N/A – vote was not against management
Implications of the outcome	The largest shareholder withdrew their proposal which triggered this company vote.	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information
Criteria on which the vote is considered "significant"	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV2 'Shareholder and Environmental & Social (E&S) Resolutions'

Manager	Abrdn
Voting activity date range	01/10/2021 – 30/09/2022
Fund name	Aberdeen Standard Managed Pension Fund
Number of company meetings the manager was eligible to vote at over the year	620
Number of resolutions the manager was eligible to vote on over the year	10,554
Percentage of resolutions the manager voted on	93.4%
Percentage of resolutions the manager abstained from	2.6%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	89.3%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	8.1%
Percentage of resolutions voted contrary to the recommendation of the proxy adviser	9.8%



## Implementation Statement (continued)

	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Telecom Plus Plc	WH Smith Plc	SSE Plc	Glencore Plc	Teleperformance SE
Date of Vote	26/07/2022	19/01/2022	21/07/2022	28/04/2022	14/04/2022
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Re-elect Maurice Thompson as Director	Approve Remuneration Policy	Approve Climate Progress Report	Advisory Vote to Ratify Named Executive Officers' Compensation. Approve remuneration policy.
How the manager voted	Against	Against	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information
Implications of the outcome	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	The company has recently undergone a transition period in relation to management and believe they are now positioned to oversee robust measures.	Manager did not provide this information
Criteria on which the vote is considered "significant"	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.

## Implementation Statement (continued)

Manager	Abrdn				
Voting activity date range	01/10/2021 – 30/09/2022				
Fund name	Multi-Asset Fund				
Number of company meetings the manager was eligible to vote at over the year	1,167				
Number of resolutions the manager was eligible to vote on over the year	18,040				
Percentage of resolutions the manager voted on	97.4%				
Percentage of resolutions the manager abstained from	0.4%				
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	92.7%				
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	6.9%				
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	6.1%				
	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Telecom Plus Plc	Glencore Plc	Rio Tinto Plc	Informa Plc	SSE Plc
Date of Vote	26/07/2022	28/04/2022	08/04/2022	16/06/2022	21/07/2022
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve Climate Progress Report	Accept Financial Statements and Statutory Reports	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve remuneration policy
How the manager voted	Against	Against	Abstain	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information
Implications of the outcome	Manager did not provide this information	The company has recently undergone a transition period in relation to management and believe they are now positioned to oversee robust measures.	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information
Criteria on which the vote is considered "significant"	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.	SV1 'High Profile Votes' votes which reflect significant governance concerns regarding the company.

**Implementation Statement (continued)**

Signed: 

*Signed on behalf of Ross Trustees Services Limited as Trustee of the Travis Perkins Pension & Dependants' Benefit Scheme.*

Date: 14 March 2023

## Section 10 – Chair and DC Governance Statement

### Chair's Annual Statement Regarding Governance for the Year to 30 September 2022

The following pages contain the Chair and DC Governance Statement and Value for Members Assessment at September 2022.



# **Travis Perkins Pension & Dependants' Benefit Scheme**

## **Chair's Statement**

1 October 2021 to 30 September 2022

# Contents

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# 01 Introduction

**This is the Chair's Statement (the "Statement") for the Travis Perkins Pension & Dependants' Benefit Scheme ("the Scheme") covering the period 1 October 2021 to 30 September 2022.**

As the Trustee Chair, I provide you with this yearly Statement which explains what steps have been taken by the Trustee Board ("the Trustee"), with help from our professional advisers, to meet the required governance standards. The law sets out what information has to be included in my Statement and this is designed to help members achieve a good outcome from their pension savings.

While the Scheme provides defined benefits ("DB") to the majority of its members, some groups of members have entitlement to defined contribution ("DC") benefits. This includes:

- > Members with DB benefits that have a DC underpin. When these members come to retire, their DB pension will be compared to the pension provided by their DC underpin. The member will receive the higher value of the two. For some members this underpin relates to a period during which the Scheme was contracted out on a "Protected Rights" basis, while for some legacy Wickes members the underpin relates to an historical defined benefit pension. These underpins are generally not expected to 'bite' though they may do for a small number of members;
- > Members with 'pure' DC benefits. 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 they relate to a prior money purchase scheme; and
- > Members who historically made Additional Voluntary Contributions ("AVCs") to policies made available to them under the Scheme. Members have been unable to contribute to these policies since May 2007.

The Scheme is not used by Travis Perkins plc ("the Employer") for automatic enrolment purposes (it has a separate arrangement for this).

# Introduction

continued

## 01.01 Governance and Queries

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I welcome this opportunity to explain what the Trustee does to help ensure the Scheme is run as effectively as it can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please do contact the Trustee at:

The Trustee of the Travis Perkins Pensions & Dependants' Benefit Scheme  
Hymans Robertson  
45 Church Street  
Birmingham  
B3 2RT  
travisperkins@hymans.co.uk



# 02 Scheme investments

## 02.01 Investment structure

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A “default investment arrangement” arises where a member’s investments have been invested without the member specifically selecting the option. There is one default investment arrangement in the Scheme as explained below. All other arrangements are not classified as default arrangements under the regulations for this Statement, and therefore although noted for information and completeness, they are not defined as default arrangements in this regard.

### **Pure DC benefits:**

For some of the members with ‘pure’ DC benefits, these are invested in the three funds listed below:

- > Abrdn Multi-Asset Fund Class E – this fund aims to provide long term growth while investing in a diverse investment portfolio including equities, bonds, property, and cash. There is no lifestyling mechanism in place, which means that no consideration is given to the age of invested members (thus potentially resulting in members bearing greater risk than they otherwise normally would).
- > Standard Life With-Profits Fund – this fund provides guaranteed returns of 4%. This helps protect members from market volatility. The mechanics of this fund allow for an additional payment of an annual bonus; however no bonus has been paid since 2005.
- > Standard Life Managed Fund – while this fund invests in a diverse portfolio of assets, c.70% of its holdings are in equities. There is no lifestyling mechanism in place for this fund.

For members with pure DC benefits which related to Protected Rights funds for members that had short service refunds (when it was not possible to reinstate these into SERPS), these are invested in the main assets of the defined benefit section of the Scheme.

### **DC underpin benefits:**

For members with historic DB benefits with a DC underpin, and those who had service during a period when the Scheme was contracted out on a ‘Protected Rights’ basis which have a DC underpin, their DC underpin funds are notionally invested in the main assets of the defined benefit section of the Scheme (and so are included in the Statement of Investment Principles under the Defined Benefit section).

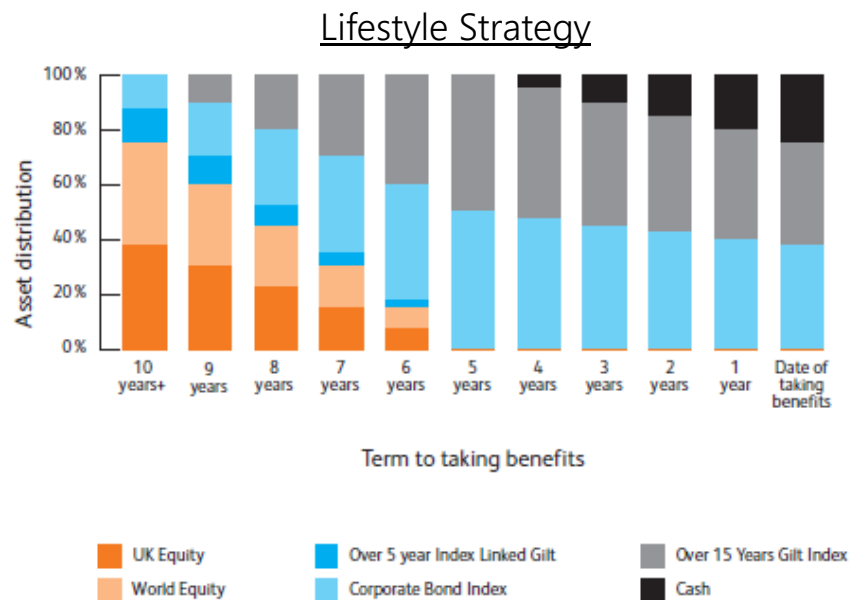
### **Additional Voluntary Contribution (AVC) benefits:**

For those members with AVCs, these are held with multiple providers as listed later in ‘Section 02.04 Fund Performance’ & ‘Section 03.01 Investment Manager Charges’.

The BlackRock Lifestyle Fund strategy became a default investment as a result of the AVC rationalisation project which took place in July 2021.

The BlackRock Balanced Lifestyle Fund looks to de-risk as a member approaches their target retirement date, with the assumption that the member will draw 25% of their fund as a cash sum at retirement and purchase an annuity with the balance of their AVCs. The visualisation of this de-risking mechanism can be found below.

## Scheme investments continued



The Trustee concluded that this new default fund was a suitable default option and would offer members good value.

A copy of the latest Statement of Investment Principles ("SIP") related to the DC and AVC arrangements, dated March 2022, can be found in Appendix B.

### 02.02 Reviewing the Scheme's investments

The Trustee is aware of its duty to consider the performance and suitability of its investments as a matter of good governance, and investment reviews are considered alongside the Trustee's requirement to review its SIP at least triennially.

The Trustee delegates the oversight of its investments to an Investment Sub-committee ("ISC"). The ISC meets throughout the Scheme year to consider the investments.

The Scheme's investment strategy is outlined in its SIP (in Appendix B). This SIP details the default arrangement.

The DB investment strategy is applicable to members whose benefits are subject to the DC underpin and some with pure DC benefits, as they are invested notionally within these DB investments.

## **Scheme investments**

### continued

#### **DC and AVC rationalisation**

In July 2021 the AVC funds held in the Utmost Life & Pensions Money Market, Managed and Secure Cash Funds, the Santander Deposit Fund and the Prudential Deposit and Discretionary funds were all transferred to the Clerical Medical BlackRock Balanced Lifestyle Fund ("the default fund"). This transfer was following a review of the strategy by Mercer LLP (the Trustee's previous investment advisors) 1 August 2019. Following this transfer there remained DC funds held with Standard Life and Abdrn and AVC With-Profits funds held with Prudential, Clerical Medical, Zurich and Aviva.

XPS (the Trustee's current investment advisors) were commissioned to review whether further consolidation of the DC and AVC funds was possible and presented this advice at the Trustee Meeting 7 March 2022.

It was agreed that two of the DC funds (the Abdrn Multi-Asset Fund and Standard Life Managed Fund) would be transferred into the Clerical Medical BlackRock Balanced Lifestyle Fund. Following a postponement of the transfer due to market volatility, this was concluded in December 2022 (i.e. following the end of the Scheme Year covered in this Statement). The Trustee will consider whether to implement a further planned consolidation of the AVC With-Profits funds in 2023, and this will be reported in the next Statement. The Trustees may also take this opportunity to carry out a tri-annual review of the strategy given the last was undertaken in 2019.

# Scheme investments

## continued

### 02.03 Investment Performance

Changes to legislation introduced in October 2021 require trustees of relevant occupational pension schemes to report on the net investment returns for the default funds and for each fund which scheme members are, or have been able to, select, and in which scheme members are invested during the scheme year. Statutory guidance has been taken into consideration when completing this document.

Net investment returns refer to the returns on funds after the deduction of all transaction costs and charges and including them in this statement is intended to help members understand how their investments are performing.

### 02.04 Fund Performance

XPS provides the Trustee with annual investment performance information to monitor the Default Investment, which it reviews and challenges in Trustee meetings.

#### Default Strategy – The BlackRock Balanced Lifestyle Fund

This table shows how the Default Fund has performed for members at three different ages, over the last one and three years (annualised).

	1 year (30/09/2021 – 30/09/2022) %	3-year (30/09/2019 – 30/09/2022) %
Age 25	(11.76)	1.12
Age 45	(11.76)	1.12
Age 55	(11.76)	1.12

*Source: Clerical Medical Figures are net of fees. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest*

#### DB Members with 'DC Underpin' and Protected Rights 'Pure DC' members

These members have investments within the main assets of the Defined Benefit Section. The table shows how these assets have performed for the year to 30 September 2022:

	1 year (30/09/2021 – 30/09/2022) %	3 years (30/09/2019 – 30/09/2022) %
Main assets of DB Section (used for DB Members with 'DC Underpin' and Protected Rights 'Pure DC' members)	(30.90)	(10.70)

# Scheme Investments

## continued

### DC and AVC Funds

Below are the funds in respect of the DC / AVC sections, over the last one, and three years (annualised)

	1 year (30/09/2021 – 30/09/2022)	3 years (30/09/2019 – 30/09/2022)
<b>DC Funds</b>	<b>%</b>	<b>%</b>
Abrn Multi-Asset Fund	(12.22)	1.33
Standard Life Managed Fund	(8.15)	1.39
Standard Life With-Profits Fund*	3.10	4.35
<b>AVC Funds</b>		
Clerical Medical Halifax Fund	0.00	0.00
Clerical Medical Cautious Fund	(10.70)	(1.90)
Clerical Medical Balanced Fund	(9.50)	0.17
Clerical Medical Adventurous Fund	(5.20)	2.73
Clerical Medical UK Equity Income Fund	(7.90)	(1.32)
Clerical Medical Smaller Companies Fund	(28.80)	1.02
Clerical Medical UK Equity Tracker Fund <sup>1</sup>	(0.70)	1.96
Clerical Medical UK Growth Fund	(10.90)	(2.32)
Clerical Medical European Fund	(14.40)	1.41
Clerical Medical Far Eastern Fund	(8.20)	1.87
Clerical Medical Japanese Fund	(12.30)	1.02
Clerical Medical North American Fund	4.90	11.20
Clerical Medical International Growth Fund	0.60	7.87
Clerical Medical Retirement Protect Fund	(39.20)	(18.52)
Clerical Medical UK Index-Linked Gilts Fund	(34.70)	(13.78)
Clerical Medical Gilt & Fixed Interest Fund	(24.90)	(8.94)
Clerical Medical UK Property Fund	3.50	4.40
Clerical Medical Ethical Fund	(7.10)	6.71
Clerical Medical Non-Equity Fund	(11.70)	(2.88)
Clerical Medical With Profit Fund <sup>^</sup>	-	-
Clerical Medical Cash Fund <sup>#</sup>	0.20	0.07
Clerical Medical Blackrock Over 15 Year Gilt Fund <sup>#</sup>	(39.10)	(18.47)
Clerical Medical Blackrock World Ex UK Fund <sup>#</sup>	(4.20)	7.89
Clerical Medical Blackrock Over 5 Year ILG Fund <sup># 1</sup>	(38.80)	(8.74)
Clerical Medical Blackrock UK Equity Fund <sup>#</sup>	(6.40)	0.63
Clerical Medical Blackrock Corporate Bond Fund <sup>#</sup>	(23.50)	(7.87)
Prudential With-Profits Cash Acc Fund*	6.30	6.20
Zurich With Profits 90:10 Fund*	(15.10)	-
Aviva Conventional With-Profits Fund*	9.90	7.75

Source: Abrdn, Aviva, Clerical Medical, Prudential, Zurich. Figures are net of fees. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest

# 03 Charges and transaction costs

## 03.01 Investment Manager Charges

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Members pay the following costs and charges in respect of their DC / AVC pension benefits (unless otherwise noted below).

### **Ongoing Charges Figure**

The Ongoing Charges Figure ("OCF") is comprised of a Fund Management Charge ("FMC") which consists principally of the manager's annual charge for managing and operating a fund; and other indirect fees which are incurred such as legal costs, registration fees and custodian fees. The OCF is calculated as a percentage of all applicable assets under management. The OCF is expected to closely reflect the Total Expense Ratio ("TER") of each fund.

The OCF does not include Scheme administration, governance, or professional advice costs, which are met by the Scheme. However, as part of the AVC arrangements, these providers do undertake some administration functions, the cost of which are included in the charges levied on members and quoted below.

### **Transaction costs**

Transaction costs may be incurred on the buying and selling of investments and include for example stamp duty and brokerage fees. They may therefore happen when switching between funds and when selling investments to take benefits.

The OCF and transaction costs for the DC funds and AVCs are detailed below. These are to the period ending 30 September 2022 unless stated otherwise. The funds used within the default are all subject to an OCF of 0.50% and are indicated with #

## Charges and Transaction costs continued

<sup>1</sup> There are no explicit costs. Instead, fund expenses are considered by the provider when determining bonus rates

<sup>2</sup> Information reported is as at 30/12/2022

\*Transaction costs were not available during the time of writing this report, and XPS continues to seek these from providers on behalf of the Trustee

#These funds (also shown in grey) form part of the BlackRock Balanced Default Lifestyle

	OCF (%)	Transaction costs (%)
<b>DC Funds</b>		
Abrdn Multi-Asset Fund	0.66	0.18
Standard Life Managed Fund	0.52	0.14
Standard Life With-Profits Fund <sup>1</sup>	N/A	N/A
<b>AVC Fund</b>		
Clerical Medical Halifax Fund	0.50	0.00
Clerical Medical Cautious Fund	0.50	0.20
Clerical Medical Balanced Fund	0.50	0.25
Clerical Medical Adventurous Fund	0.50	0.18
Clerical Medical UK Equity Income Fund	0.50	0.32
Clerical Medical Smaller Companies Fund	0.50	0.00
Clerical Medical UK Equity Tracker Fund <sup>2</sup>	0.50	-*
Clerical Medical UK Growth Fund	0.50	0.35
Clerical Medical European Fund	0.50	0.20
Clerical Medical Far Eastern Fund	0.50	0.54
Clerical Medical Japanese Fund	0.50	0.06
Clerical Medical North American Fund	0.50	0.18
Clerical Medical International Growth Fund	0.50	0.21
Clerical Medical Retirement Protect Fund	0.50	0.56
Clerical Medical UK Index-Linked Gilts Fund	0.50	0.29
Clerical Medical Gilt & Fixed Interest Fund	0.50	0.12
Clerical Medical UK Property Fund	0.50	0.00
Clerical Medical Ethical Fund	0.50	0.00
Clerical Medical Non-Equity Fund	0.50	0.22
Clerical Medical With Profit Funds	1.00	0.24
Clerical Medical Cash Fund <sup>#</sup>	0.50	0.00
Clerical Medical Blackrock Over 15 Year Gilt Fund <sup>#</sup>	0.50	0.00
Clerical Medical Blackrock World Ex UK Fund <sup>#</sup>	0.50	0.00
Clerical Medical Blackrock Over 5 Year ILG Fund <sup># 2</sup>	0.50	0.03
Clerical Medical Blackrock UK Equity Fund <sup>#</sup>	0.50	0.09
Clerical Medical Blackrock Corporate Bond Fund <sup>#</sup>	0.50	0.00
Prudential With-Profits Cash Accumulation Fund	1.00	N/A
Zurich With Profits 90:10 Fund <sup>1</sup>	N/A	N/A
Aviva Conventional With-Profits Fund <sup>1</sup>	N/A	N/A

Source: Abrdn, Aviva, Clerical Medical, Prudential and Zurich

# Charges and Transactions costs

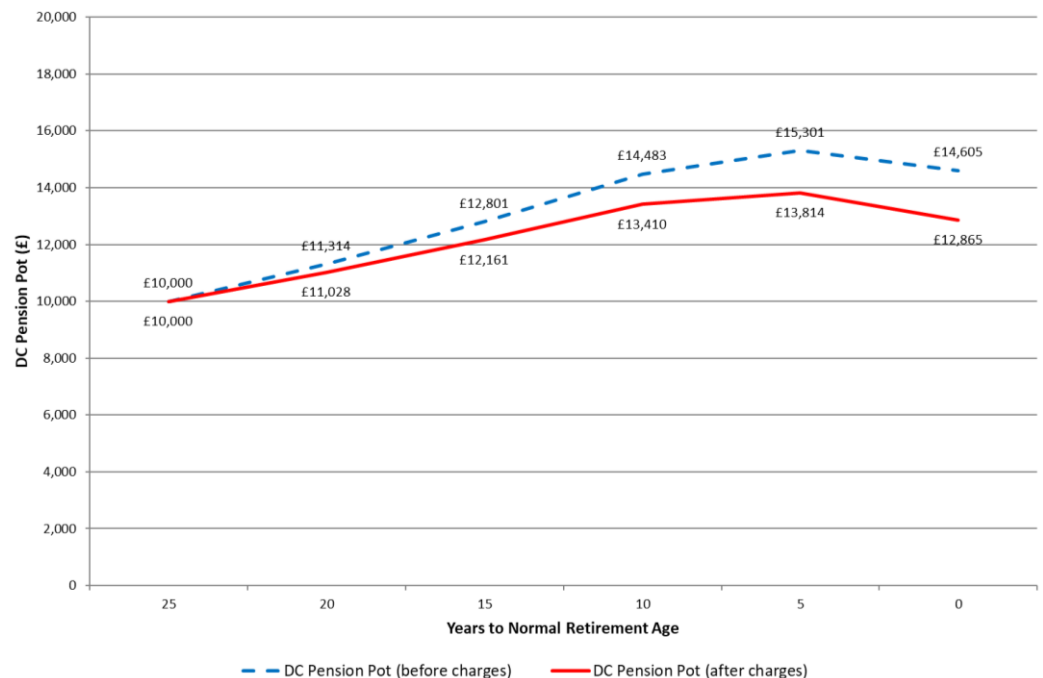
## continued

For DC funds invested in the main DB assets, the returns on the investments are applied to the members' fund values on a gross basis i.e. there are no charges applied, and therefore are not listed above.

Member-borne charges (including transaction costs where available) are presently kept under annual review by the Trustee, with the aim to ensure that members obtain value for money. Whilst there have been no material changes to transaction costs since the last Chair's Statement, the suitability of these costs remains under consideration, and where these have not been obtained as noted above, the Trustee (and its advisors) continue to request these and will report them when available within the next Statement.

### 03.02 An illustration of the charges levied on members

Below is an illustration of the effect of the charges and transaction costs met by the average member with savings in the Clerical Medical BlackRock Balanced Lifestyle Fund (this being a default AVC arrangement). This shows the expected pot for a member who is 25 years from Normal Retirement Age, with current savings of £10,000. We have projected their savings allowing for assumed investment returns. The figures below are in today's money terms.





## Charges and transaction costs continued

This is for illustration purposes only. The actual returns received are likely to differ over time as will an individual member's pension pot size. This illustration is based on:

- > Assumed gross investment returns of 6.50% when the member is between 25 years and 10 years from retirement, reducing in the 10-year period to retirement on a phased basis to 2.00% at retirement.
- > No future contributions are made.
- > An average pension pot for a member who is 25 years from retirement of £10,000.
- > Inflationary increases of 2.5% p.a.

In preparing these illustrations, the Trustees have had regard to:

- > The Department for Work and Pensions' 'Reporting of costs, charges, and other information: guidance for trustees and managers of relevant occupational schemes'.
- > Actuarial Standards Technical Memorandum 1 (AS TM1 v4.2) issued by the Financial Reporting Council and
- > The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20.

Further illustrations for other funds can be found in Appendix A

# 04 Core Financial Transactions

## 04.01 Assessing Core Transactions

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Processes are in place to ensure the core financial transactions are processed promptly and accurately. The core financial transactions include:

- > The transfer of members' assets between different investments within the Scheme
- > The transfer of members' assets to and from the Scheme; and
- > Payments out of the Scheme to members / beneficiaries.

As the Scheme is closed to future benefit accrual, processes to ensure contributions are received and invested are no longer required.

During the year, the Trustee ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Scheme's core financial transactions were processed promptly and accurately by:

- > Having an agreement in place with Hymans Robertson LLP (as Scheme administrator), committing them to a defined service level agreement ("SLA") of 95%. A range of activities are reported against the SLA and a breakdown is stated in each administration report, received quarterly. These activities include (but are not limited to) AVCs (with an SLA of 7 working days) and DC Specific Activities (with an SLA of 10 working days). SLA timescales vary depending on the activity, and any items completed outside of target are reported. The combined SLA score for all transactions in the Scheme Year was 95% and above. These were assessed by the Trustees at their meetings. The SLA score for 'AVC' and 'DC Specific' transactions was 100% throughout the Scheme year.
- > The AAF 01/06 assurance report ('Assurance reports on internal controls of service organisations made available for thirds parties') issued by Hymans Robertson has been made available and a copy can be requested online. We have not been made aware of any major exceptions in the report relevant to the Scheme.
- > Considering the ongoing suitability of the complaint procedure, to ascertain whether there may be any weaknesses in their processes and controls. All complaints are addressed by Hymans Robertson and depending on the nature of the complaint, a response may be provided to the member by the Trustee.
- > Having the Scheme auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

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 financial transaction turnaround times or other work. However, their response times to work requested are reflected to some degree in Hymans Robertsons reporting, and performance has been satisfactory.

The Trustee has concluded that core financial transactions were processed promptly and accurately during the Scheme year, and hence the Trustees aim to continue monitoring and reporting service data in this way with no adjustments.

# Core Financial Transactions

continued

## 04.02 Scheme administration

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The Trustee recognises that good administration often correlates with positive member outcomes. Administration is a standing agenda item for each Trustee meeting and in addition to the areas covered above (in section 04.01 above) the Trustee reviews the following:

- > Membership compliments and complaints: Administration reports detail all compliments and complaints received during a period, including the date they arose and appropriate background. In the instance of a complaint, the Trustee will receive a summary of the action(s) taken to resolve the issue. The Trustee takes this opportunity to consider whether a member complaint is the result of an underlying issue regarding the Scheme's processes or design.
- > Data breaches: Whether there have been any data breaches that would be reportable to the Information Commissioner Office ("ICO") under the General Data Protection Regulation ("GDPR"). Any breaches are recorded in the Trustee's breach log, which is maintained by the Secretary to the Trustee.
- > Discretionary cases: The Trustee exercises its discretion at each meeting; common examples include the payment of discretionary benefits to a partner or dependant on the death of a member, or where a formal complaint has been made under the Scheme's dispute resolution process. Discretion exercised by the Trustee at each meeting is formally minuted, and these were processed in a timely manner over the Scheme year.

The Trustee is satisfied with the administration of the Scheme during the year.

# 05 Value for Members

## 05.01 Assessment of Value

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When assessing the charges and transaction costs which are payable by members, the Trustee is required to assess the extent to which these provide them with good value.

The Trustee considers this each year and commissions an independent annual Value for Members 'VFM' assessment from XPS Pensions which is produced in line with statutory guidance. Recommendations are provided where perceived improvements could be made, for the Trustee's consideration. The latest VFM assessment was provided to the Trustee in March 2023, covering the Scheme year in this Statement.

As the Scheme had total assets of over £100m at the date of its last set of audited accounts, it is not deemed as a 'specified scheme' and therefore is not required to comply with the requirements set out in the relevant regulations that would apply to a scheme of less than £100m.

Having considered the outcome of the VFM assessment, as well as the information reported, the Trustee has concluded that the Scheme offers good value to its DC and AVC members for the following reasons:

> Fund performance:

- Investment performance of the pure DC funds were mixed. The Abrdn Multi-Asset Fund was behind its benchmark for the one-year and three-year periods. The Standard Life Managed Fund was ahead of its benchmark over both periods. As of December 2022, these investments were moved in the Clerical Medical BlackRock Balanced Lifestyle Fund as was confirmed to members via letter in September 2022. For the Standard Life With-Profits this has been retained and performed as expected as it has a 4% member return provided each year.
- Investment performance of the assets underlying the DC underpin benefits (i.e. the DB section investments) was ahead of benchmark over both one and three years.
- For the default investment (the Clerical Medical BlackRock Balanced Lifestyle Fund), performance has been behind benchmark for some of the funds within it but not materially and the Trustee will continue to review its performance to ensure this remains suitable.
- There is a broad range of AVC funds available. Some have performed above their benchmark whilst others have been behind, but all within a reasonable tolerance of the benchmark and the Trustee continues to oversee these to ensure their suitability.

The Trustee and its advisers monitor the funds' performance on an ongoing basis and make changes as necessary.

> The Trustee has rationalised the DC Funds. As mentioned in this Statement, in December 2022 the Trustee moved the monies in the Abrdn Multi-Asset Fund and Standard Life Managed Fund to the Clerical Medical BlackRock Balanced Lifestyle Fund, having informed members in September 2022. In doing so, the Trustee is comfortable that the 'Lifestyle Fund' is more suitable for these members. The Trustee continues to consider opportunities to consolidate the many funds provided, and should they do so, this will be confirmed in future Statements.

## Value for Members

continued

- > Appropriate processes are in place to ensure the efficient administration and governance of the Scheme (which include those explained in the 'Core Financial Transactions' and the 'Trustee Knowledge and Understanding' sections of this Statement). Although members do not pay for these Scheme services directly, it is clear that should these processes be insufficient, they can cause detriment to the members and hence are considered. The Trustee has no material concerns regarding these processes, and believes they provide good value.
- > The Trustee Board is a professional independent Trustee. In April 2022, the Trustee was changed to Ross Trustees, a professional corporate trustee firm.
- > Member communications are prepared by a professional third-party administrator, Hymans Robertson. This includes benefit statements and standard retirement communications. The Trustee understands that all communications prepared by Hymans will conform to its own internal standards, which the Trustee considers good value. It does note that for the AVCs, further communication may be beneficial, and as anticipated last year, has been undertaking a review of this to consider any improvements that could be made. Any conclusions will be reported in future Statements.
- > All Scheme advisory, governance and administration costs are met by the Scheme. This means that the only direct cost to members relates to fund management charges (and some administrative tasks by the fund providers for the AVC funds) as noted in this Statement. Therefore, in not having to meet such costs, the Trustee considers this good value.

- > Overall value assessment: taking the member charges, returns and services provided into account as well as rates available in the market, the Trustee has concluded:

Pure DC benefits: the member charges on the Abrdn Multi-Asset Fund and the Standard Life Managed Fund are competitive versus the market and members are not charged for the administration services. Returns for the Abrdn Multi-Asset Fund have been behind expectations, with the Standard Life Managed Fund ahead of expectations. The Trustee believes value will be increased due to the move of these investments to the default Clerical Medical BlackRock Balanced Lifestyle Fund. The Standard Life With Profits Fund has guaranteed returns which are of benefit to members. Hence value for money is good.

DC underpin benefits and Protected Rights 'Pure DC' members: investments are within the main assets of the defined benefit section of the Scheme and members do not incur any charges. Absolute returns of the defined benefit section were negative during the Scheme year due to extreme market conditions, which particularly impacted the Liability Driven Investment ("LDI") funds. These LDI funds are held to hedge movements in the defined benefit sections liabilities but provide little risk protection to individual Scheme members given they are not exposed to these movements in the Scheme's liabilities. The Trustee plans to review the investments for these benefits to ensure members receive value for money.

Additional Voluntary Contribution (AVC) benefits: the competitiveness of the charges, and investment performance amongst the AVC providers varies. However, the rationalisation project (of 2021) has improved value for money for those funds that moved to Clerical Medical, and these are competitive versus the market. Hence value for money is good.

# 06 Trustee Knowledge and Understanding

## 06.01 Assessment

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On 1 April 2022, Ross Trustees were appointed to be the Professional Sole Trustees Company (PSTC) to the Scheme. They replaced the existing Trustee Directors, several of whom were reaching the end of their tenure period. In anticipation of this, and the increasing pressure on trustees to meet exacting governance requirements, it was felt that a PSTC (such as Ross Trustees) would be beneficial. We are all grateful to the outgoing Trustee Directors for their hard work and diligence over many years. Kate Hardingham of Ross Trustees has taken the position of Chair (and therefore is signatory to this Statement).

In accordance with Sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Director is therefore expected to:

- > Be conversant with the Trust Deed and Rules of the Scheme, its Statement of Investment Principles and any other document recording policy for the time being adopted by the Trustees relating to the administration of the Scheme generally; and
- > Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise their functions as a Trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

The Trustee is satisfied that it has complied with the knowledge and understanding requirements outlined above for the following reasons:

- > During the Scheme year, there was a change to the Trustee Board which resulted in Ross Trustees being appointed as a Professional Corporate Sole Trustee (PCST) for the Scheme on 31 March 2022. The PCST team comprises Kate Hardingham, Amanda Asante (scheme secretary), Maria Keen, Richard Haslam and Adam Whitehead.
- > The PCST team continuously consider their personal training needs in relation to the Scheme, in conjunction with the code of practice issued by the Pensions Regulator. The team maintains a training log, which details the training undertaken during the year. This log aids the Trustee in ascertaining whether any knowledge gaps are present and, where identified, these are addressed as appropriate. Each member of the team has fully completed the Pension Regulator's Trustee Toolkit, including its latest module, Pension Scams. Any newly appointed team member will be required to complete this training within a suitable time from their appointment.

## Trustee Knowledge and Understanding continued

> A summary of the training undertaken during the scheme year includes:

- Responsible investment
- Alternative funding methodologies
- Cyber security
- GMP Equalisation
- Future of DC pensions
- Integrated risk management
- General data protection regulation
- Synthetic equities and LDI
- Derisking and insurer market
- Update of pensions market
- 3-5 year plan, take on procedures, consolidation & unusual solutions

> The Trustee has access to, and knowledge of, the Scheme's documentation (e.g. Deed and Rules, Statement of Investment Principles, and Implementation Statement). These documents are readily accessible to the Trustee.

Being a PSTC, Ross Trustees has a thorough training schedule to a high level within its own governance structure (i.e. external to that also employed within the Scheme).

The Trustee receive updates from advisors on pensions law developments and any other areas of particular importance, including appropriate training. During the Scheme year the Trustee received training on a number of subjects. The PCST team's collective experience is evidenced by their interaction with the Scheme's advisers as shown in the Trustee Meeting minutes, and the governance framework established by the Trustee to review the performance of the Scheme. This is further supported by the Trustee's decision to undertake a Value for Members Assessment, as detailed earlier.

# 07 Conclusion

The annual production of this Statement provides members with a narrative of how the Trustee looks after members' interests.

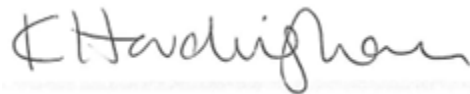
The Trustee will continue to monitor the matters covered within, and report to members both via the annual Chair's Statement and other communications as appropriate.

In conclusion, with the continual monitoring and the reviews detailed here, I am pleased to be able to submit this report in accordance with the Chair's Statement requirements, in the belief that the Scheme was operated and governed appropriately during the reporting period and provided good value to members.

I, Kate Hardingham, am signing this Statement in my capacity as the Chair of the Trustee Board.

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**Signature**



**Date**

25.04.2023

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**Name**

Kate Hardingham

**Qualification**

Chair of the Trustee (for an on behalf of Ross Trustees Services Limited)



# Appendix A

## Illustration of charges

Appendix A illustrates the expected change in a member's pension pot as they approach retirement, both before and after charges, based upon a set of stated assumptions. These are for guidance only – the potential change in a member's pension pot may vary on an individual basis.

Assumes: i) that the member is 25 years from Normal Retirement Date; ii) inflation is assumed at 2.5% p.a.; iii) projected pension pot values are shown in today's terms; iv) no contributions are assumed; and v) a pension pot at 25 years from Normal Retirement Date of £10,000.

All investment returns and charges are consistent throughout the member's lifetime in the Scheme, with the exception of the Clerical Medical BlackRock Balanced Lifestyle Fund where assumed gross investment returns of 6.50% apply when the member is between 25 years and 10 years from retirement, reducing in the 10-year period to retirement on a phased basis to 2.00% at retirement.

	Default AVC arrangement		Cheapest fund		Most expensive fund		Fund with a low expected investment return		Example of an equity growth fund	
	Clerical Medical BlackRock Balanced Lifestyle Fund		Standard Life With-Profits		Clerical Medical With-Profits		BlackRock Over 5 Year Index Linked Gilt		Clerical Medical UK Growth	
Investment Return*	See above	See above	4.00%	4.00%	6.50%	6.50%	0.00%	0.00%	6.50%	6.50%
Charges**	See above	See above	0.00%	0.00% <sup>^</sup>	0.00%	1.24%	0.00%	0.53%	0.00%	0.85%
Years to Normal Retirement Age	<i>DC Pension Pot (before charges)</i>	<i>DC Pension Pot (after charges)</i>	<i>DC Pension Pot (before charges)</i>	<i>DC Pension Pot (after charges)</i>	<i>DC Pension Pot (before charges)</i>	<i>DC Pension Pot (after charges)</i>	<i>DC Pension Pot (before charges)</i>	<i>DC Pension Pot (after charges)</i>	<i>DC Pension Pot (before charges)</i>	<i>DC Pension Pot (after charges)</i>
25	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
20	11,314	11,028	11,014	10,800	12,110	11,421	8,839	8,607	12,110	11,634
15	12,801	12,161	12,132	11,664	14,664	13,044	7,812	7,408	14,664	13,535
10	14,483	13,410	13,362	12,597	17,758	14,897	6,905	6,376	17,758	15,747
5	15,301	13,814	14,718	13,605	21,504	17,013	6,103	5,487	21,504	18,319
0	14,605	12,865	16,211	14,694	26,040	19,431	5,394	4,723	26,040	21,313

\*Accumulation rate (before Inflation at 2.5%) / \*\*Ongoing Charge Figure (OCF) + Transaction costs (where available).

<sup>^</sup> There are no explicit costs associated with this fund as deductions are allowed for when final bonus rates are calculated.

# Appendix B

## Statement of Investment Principles (“SIP”) relating to the Default Arrangement of the Travis Perkins Pension and Dependents’ Benefit Scheme: DC Section and AVC arrangements

### Appendix

#### **Statement of Investment Principles (“SIP”) relating to the Default Arrangement of the Travis Perkins Pension and Dependents’ Benefit Scheme: DC Section and AVC arrangements.**

#### **1. Introduction**

##### *a) Purpose*

The Trustee of the Travis Perkins Pension and Dependents’ Benefit Scheme (“the Scheme”) have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Act<sup>1</sup> and Regulations<sup>2</sup> for its DC Section and Additional Voluntary Contributions.

It is a revised Statement and reflects the investment policy implemented by the Trustee in respect of the Default Arrangement known as the Clerical Medical BlackRock Balanced Lifestyle Strategy.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments.

Trustee investment policies that are not explicitly mentioned in this Appendix are in line with those outlined in the main SIP.

##### *b) Review of the Statement*

Before preparing this Statement, the Trustee has sought advice from the Scheme’s Investment Consultant, XPS Investment Limited. The Investment Consultant hereby confirms to the Trustee that they have the appropriate knowledge and experience to give the advice required by The Pensions Act 1995.

The Trustee will review this Statement and their investment policy at least every three years; or immediately following any significant changes in investment policy; or following any significant change in the demographic profile of relevant members.

The Trustee will receive confirmation of the continued appropriateness of this Statement annually, or more frequently if appropriate.

#### **2. Aims, Objectives and Policies**

##### *a) Long-term aims and objectives*

The Trustee are required define their aims and objectives with respect to any Default Arrangement.

The Trustee has noted the Pension & Lifetime Savings Association (“PLSA”) setting retirement objectives document. The PLSA sets out an appropriate return as one that enables members to

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<sup>1</sup> The Pension Act 1995

<sup>2</sup> Occupational Pension Schemes (Investment) Regulations 2005

# Statement of Investment Principles (“SIP”) relating to the Default Arrangement of the Travis Perkins Pension and Dependents’ Benefit Scheme: DC Section and AVC arrangements

continued

have, along with the UK State Pension, a moderate income in retirement (c50% of pre-retirement income). To achieve this level of income, the investment strategy should aim to achieve an above inflation rate of return over the working lifetime of any member. The default investment strategy has been chosen to achieve this return whilst also being diversified across a range of asset classes to reduce the risk of investment loss as the member approaches retirement. The Trustee believes this strategy is in the best interests of members.

## *b) Choosing Investments*

In accordance with the Pensions Act 1995 (“Act”), the Trustee relies on professional Investment Managers for the day-to-day management of the assets that make up the default arrangement in a manner consistent with this statement.

In view of the requirements in respect of the efficient administration of individual entitlements for each member, the Trustee uses pooled funds, with the fund accessed through an investment platform. Decisions about the pooled investment vehicle are made by the Trustee.

The Trustee’s policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments, the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The Investment Consultant will have the knowledge and experience required under Section 36(6) of the Act.

## *c) Asset allocation*

The Trustee expects the long-term return on investment options that invest predominantly in equities to exceed inflation. The long term returns on bond and cash options are expected to be lower than returns on equity assets. Cash funds provide protection against changes in short-term capital values and may be appropriate for members wishing to take part or all of their benefits in the form of a cash lump sum.

The Trustee believes that diversification limits the impact of any single risk, and hence reduce the overall risk exposure that members might suffer. The Trustee therefore seeks to diversify the Scheme’s investments by asset type and by region. However, the diversification of risk across multiple sources is constrained by the Trustee’s ability to implement and effectively monitor the range of investments being considered.

In line with these expectations, the Trustee will ensure that the default arrangement made available to members holds a suitably diversified range of securities, avoiding an undue concentration of assets. In addition, the Trustee will ensure the range of assets is otherwise suitable to meet the investment objectives.

## *d) Arrangements with investment managers*

The Trustee’s encourage Investment Managers to make decisions in the long-term interests of the Scheme and its members. The Investment Manager for the Default Arrangement is incentivised to perform in line with expectations for their specific mandate. Consequently, the Investment Manager will be remunerated by way of a percentage charge on the assets they manage. The Investment Managers will be subject to performance monitoring and to reviews based on a number of factors linked to the Trustee’s expectations, including the following selection / deselection criteria:

# Statement of Investment Principles (“SIP”) relating to the Default Arrangement of the Travis Perkins Pension and Dependents’ Benefit Scheme: DC Section and AVC arrangements

continued

- >Parent - Ownership of the Investment Manager;
- >People - Leadership/team managing the strategy and client service;
- >Product - Key features of the investment and the role it performs in a portfolio;
- >Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- >Positioning - Current and historical asset allocation of the fund;
- >Performance - Past performance and track record;
- >Pricing - The underlying cost structure of the strategy and fund manager remuneration;
- >ESG - Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

Appointments of Investment Managers are expected to be long-term, but as explained above, the Trustee will review the appointment of the Investment Managers in accordance with their responsibilities.

The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

As covered in more detail in Section 2f of the main SIP, the Trustee also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee believe these factors could have a material financial impact in the long-term. The Trustee’s therefore make decisions about the retention of Investment Managers, accordingly.

## *e) Realisation of investments*

In recognition of the fact that member assets may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustee will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers, and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustee has considered how easily investments can be realised for the types of assets in which they are currently invested. As such, the Trustee believes that the Scheme’s Default Arrangement holds an acceptable level of readily realisable assets.

## *f) Responsible Investment*

The Trustee has considered their approach to environmental, social and corporate governance (“ESG”) factors for the long term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustee therefore expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights, on the basis that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s Investment Managers. The Trustee requires the Scheme’s Default Investment Manager to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.



# Statement of Investment Principles (“SIP”) relating to the Default Arrangement of the Travis Perkins Pension and Dependents’ Benefit Scheme: DC Section and AVC arrangements

continued

As the Default Arrangement invests in pooled funds, the Trustee acknowledges that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the Investment Managers. The Trustee encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee.

If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee’s expectation, then the Trustee may consider terminating the relationship with that Investment Manager.

## 3. Risk measurement and management

### a) Risk Types

The Trustee has considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustee considers and explains how they are managed.

Risk	Definition	How it is measured/managed
<b>Market Risk</b>	The risk of exposure to volatile markets, which may be less acceptable to some members, particularly near retirement.	The Default Arrangement will predominantly be invested in equities for members 10+ years from retirement. Market risk will then reduce for members less than 10 years from retirement as the lifestyling mechanism is employed and the Strategy switches to investing mainly in long dated Gilts, Corporate Bonds and Cash.
<b>Inflation Risk</b>	The risk that the real value of the members assets will decrease over time as investment returns are less than inflation.	The aim is to achieve an above inflation return over the working lifetime of the member. Whilst the member is 10+ years from retirement, returns are expected to be in excess of inflation.  The Trustee will monitor the performance of this fund, and will ensure members are aware of the fund’s objectives.
<b>Liquidity Risk</b>	The risk that a member wishes to make a disinvestment within a short time period and their invested assets cannot be realized in time.	The funds in the Default Arrangement are daily dealt and should avoid most illiquidity issues.
<b>Environmental, Social and Governance Risk</b>	The risk that environmental, social and governance factors can have a material effect on the ability of meeting long-term investment objectives	This is addressed, to the extent that it is possible, by delegating to the Investment Managers. Further detail is provided in this Statement.

# Statement of Investment Principles (“SIP”) relating to the Default Arrangement of the Travis Perkins Pension and Dependents’ Benefit Scheme: DC Section and AVC arrangements

continued

<b>Manager Skill / Alpha Risk</b>	The risk that an Investment Manager fails to meet its stated objectives	This risk is addressed through the performance objectives of the fund and through the monitoring of the Investment Managers. Passive pooled investments will be checked against expected tracking errors. Actively managed pooled investments will be subject to more detailed monitoring and measured on a range of issues e.g. Alpha returns, volatility and fees.
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## *b) Risks of Default Arrangement failing to meet its long-term aims*

The Trustee will regularly review the investment performance of the Default Arrangement, not only in aggregate, but monitoring the performance of the individual components.

## 4. Default Arrangement

The Trustee received advice on the design of the Default Arrangement. The Default Strategy is known as the Clerical Medical BlackRock Balanced Lifestyle Strategy and is provided through the investment platform managed by Clerical Medical.

The main objective of the Clerical Medical BlackRock Balanced Lifestyle Strategy is to preserve capital whilst aiming to provide a return that is appropriate for the member with respect to their time from retirement. The retirement target of the strategy assumes that members will take 25% of their fund as cash at retirement, with the remainder expected to be used to support flexible drawdown.

The aim of the Clerical Medical BlackRock Balanced Lifestyle Strategy is to produce a real return on the value of members’ retirement savings while managing the risks including volatility over the member’s investment timeline, with a particular focus on the period leading up to retirement age.

For members over 10 years from retirement, the Clerical Medical BlackRock Balanced Lifestyle Strategy will be predominantly invested in UK and World equity funds, with a small allocation to Corporate Bond funds and index-linked Gilt funds.

Between 5 – 10 years from retirement, this allocation to equity and index-linked Gilts funds is removed and the allocation to Corporate Bond funds increased. An allocation to long dated fixed Gilt funds is also introduced.

Between 4 years to retirement and retirement, the allocation to Corporate Bond funds is reduced and an allocation to Cash funds is introduced. The final allocation at retirement has a 25% allocation to cash, helping members to take 25% of their fund value as cash at retirement.

The Trustee believes that the Clerical Medical Blackrock Balanced Lifestyle strategy is in the best interests of members. For members who are furthest retirement, their contributions will be invested mainly in funds that have a higher expected return (and higher expected risk or volatility). As a member approaches retirement that expected risk is reduced by diversifying into lower risk assets. The objective is to smooth the volatility of members’ funds as they approach retirement.

Exposing members’ investments to very high levels of volatility up to retirement would not be appropriate, because this could mean members are at risk of losing a large proportion of their savings just before retirement should market conditions deteriorate.

# Statement of Investment Principles (“SIP”) relating to the Default Arrangement of the Travis Perkins Pension and Dependents’ Benefit Scheme: DC Section and AVC arrangements

continued

The Trustee expects the overall lifestyling mechanism to help members achieve a moderate income level in retirement (as defined by the PLSA) whilst reducing the risk of investment loss as the member approaches retirement.

The underlying funds are primarily managed by BlackRock. The investment manager is responsible for determining the balance between the different kinds of investments within each asset class.

In line with the Trustee's risk management policies, the fund is daily dealt.

The fees payable by members who are invested in the Clerical Medical BlackRock Balanced Lifestyle Strategy are equal to an ongoing charges figure (“OCF”) of 0.5% p.a.. This is inclusive of investment and administration charges. This is below the default cap of 0.75% p.a.. Trading costs are included in the Chair Statement and taken into consideration when strategic or fund changes are discussed by the Trustee.



**Contact us**  
**xpsgroup.com**

**Registration**

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

XPS Pensions (Trigon) Limited, Registered No. 12085392.

Penfida Limited, Registered No. 08020393

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

**Authorisation**

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).





Value for Members Assessment

# Travis Perkins Pension and Dependants' Benefit Scheme

March 2023



# Introduction

**This *Value for Members (VfM)* report is provided by XPS DC, for the Travis Perkins Pension and Dependants' Benefit Scheme ('the Scheme') covering its DC benefits and AVCs over the period 1 October 2021 – 30 September 2022.**

In the Executive Summary you will find XPS DC's view as to whether the Scheme provides good value for its members in relation to the DC benefits and AVCs only (this is not related to the DB benefits in the Scheme which should not be covered in this assessment).

XPS understands that the Scheme had total assets of over £100m at the date of its last set of audited accounts. Therefore, it is not required to comply with all of the requirements set out in the relevant regulations\* that would apply to a scheme of less than £100m.

However, considering that the DC and AVC benefits held in the Scheme are sub £100m; in the view of XPS it is beneficial to assess matters broadly consistent with that guidance, to give a holistic view of value. Therefore, we have followed the spirit and majority of the matters required for consideration (for a sub-£100m scheme) within the guidance.

- ▶ Having reviewed this report, the Trustee must determine whether they believe the Scheme provides good value for members.
- ▶ The results of the assessment must be included in the annual chair's statement and be published on a publicly available website.

The decision on whether the Scheme provides good value is the Trustee's. We recommend this report is used as part of the Trustee's considerations and decision.

\*[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/994897/completing-the-annual-value-for-members-assessment-and-reporting-of-net-investment-returns.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994897/completing-the-annual-value-for-members-assessment-and-reporting-of-net-investment-returns.pdf)

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	Comparison of net returns / costs & charges
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	Default investment strategy
	Quality of investment governance
	Trustee Knowledge and Understanding
	Quality of communications
	Managing conflicts of interest

# DC and AVC structure

Below is a summary of the DC and AVC structure as at the end of the Scheme Year (30 September 2022):

'Pure DC' members	Unit Linked Funds	With Profits Funds
<b>Standard Life</b>	1^	1
<b>Abrdn</b>	1^	0

^ The unit linked funds were moved to the Clerical Medical BlackRock Balanced Lifestyle Fund in December 2022 (i.e. post the Scheme Year end)

'AVC' members	Unit Linked Funds	With Profits Funds
<b>Clerical Medical</b>	25*	1
<b>Zurich</b>	0	1
<b>Prudential</b>	0	1
<b>Aviva</b>	0	1

\* Some funds are used within both a lifestyle investment structure and as a stand-alone option, and are reported only once in Appendix A & B

DB members with 'DC underpin'	Investment strategy
<b>Protected Rights underpin</b> – defined benefits pensions, with a defined contribution underpin for a period of service within the Scheme (6 April 1997 to 5 April 2000) where contracted out on a Protected Rights basis	Within the Scheme's main DB assets
<b>Ex-Wickes members (post 1990 service)</b> – defined benefits pension with a defined contribution underpin	

Protected Rights 'Pure DC' members	Investment strategy
<b>Protected Rights (orphan) members</b> - For members with pure DC Benefits which related to Protected Rights funds for members that had short service refunds (when it was not possible to reinstate these into SERPS).	Within the Scheme's main DB assets

The Value for Members assessment shows that the Scheme does provide good value for members. We include here a summary of our findings.

Net returns / costs & charges	Core financial transactions	Record keeping	Default investment strategy	Quality of investment governance	Trustee knowledge & understanding	Quality of communications	Management of conflicts
<p><b>Score: 2 Good</b> (last year = Good)</p> <ul style="list-style-type: none"> <li>Member charges are in-line with expectations and market norms</li> <li>The funds underlying the default option did not track their benchmarks as closely as we would expect.</li> <li>The other Clerical Medical funds had variable performance against the ABI sector averages</li> <li>The Abrdn Multi Asset fund underperformed, but was consolidated into the default option in December 2022</li> <li>The main DB assets performed poorly due to the extreme market conditions in September 2022.</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>Review the Clerical Medical funds</li> <li>As the DB section is moving towards buy-in, review the use of the DB investments</li> </ul>	<p><b>Score: 2 Good</b> (last year = Good)</p> <ul style="list-style-type: none"> <li>Administrative matters are given sufficient coverage at meetings and SLA reporting is considered</li> <li>There were two AVC related complaints in the period</li> <li>Hymans Robertson business continuity plan has been shared with the Trustee and considered</li> </ul> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>Due to AVC related complaints, undertake quarterly oversight of AVC cases (as part of Hymans Robertson reporting at Trustee meetings we suggest)</li> </ul>	<p><b>Score: 2 Good</b> (last year = Good)</p> <ul style="list-style-type: none"> <li>The Trustee keeps suitable records and has processes in place to maintain these</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>Consider introducing a specific data security and cyber risk policy</li> <li>Ensure that the common and conditional data is reviewed on a regular basis (ideally annually), once the work being undertaken to improve the data quality has been completed.</li> </ul>	<p><b>Score: 2 Good</b> (last year = Good)</p> <ul style="list-style-type: none"> <li>The default investment strategy has been reviewed within the last 3 years (as required)</li> <li>Monies from two of the DC Funds (non-defaults) were moved into the default investment in December 2022 (with communications issued to members September 2022) and this is now complete.</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>A standalone default SIP is in production - XPS will complete and pass to the Trustee</li> </ul>	<p><b>Score: 2 Good</b> (last year = Good)</p> <ul style="list-style-type: none"> <li>Investments are monitored regularly and include DC Funds and AVCs</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>Consider completing the review of the remaining With-Profits AVC investments</li> <li>Ensure that the ongoing review of communications is completed, and consideration given to the investment aspects of communication</li> </ul>	<p><b>Score: 2 Good</b> (last year = Good)</p> <ul style="list-style-type: none"> <li>Ross Trustees are a Professional Corporate Sole Trustee 'PCST' and are therefore required to uphold suitable standards of TKU, which we understand it does</li> <li>The board has assessed diversity, skills and performance along with leadership and decision making during the period</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>Document Ross Trustees own internal TKU process would be beneficial to evidence the Scheme's own TKU compliance</li> <li>Consider whether an action plan is required to address any outcomes from Trustee assessments in the year</li> </ul>	<p><b>Score: 2 Good</b> (last year = Good)</p> <ul style="list-style-type: none"> <li>The Trustee is undertaking a review of the communications.</li> <li>The appointed third party administrator has clear service level agreements in order to assist in meeting minimum statutory obligations</li> <li>Online functionality is limited; but this is common for the DB underpin members and legacy AVC benefits.</li> <li>While the Scheme meets its legal obligations in respect of communications, we understand that no formal strategy is in place.</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>Conclude the ongoing communications review and implement as necessary.</li> <li>Consider whether to get member feedback</li> </ul>	<p><b>Score: 3 Excellent</b> (last year = Excellent)</p> <ul style="list-style-type: none"> <li>The Trustee has a clear policy and structure of review for managing this</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>No further action</li> </ul>

Key: 1 = Poor Value, 2 = Good Value, 3 = Excellent Value

# Analysis of net returns / costs & charges

Here, we consider the costs and charges (see figures in Appendix A) and net returns versus benchmarks (see figures in Appendix B). All figures are to 30 September 2022 unless stated.

Funds	Score	Observations	Recommended actions
The 'Pure DC' funds invested in the Standard Life Managed Fund and the Abrdn Multi-Asset Fund	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Ongoing Charges Figures* (OCF) for the <b>Standard Life Managed Fund</b> and the <b>Abrdn Multi-Asset Fund</b> are 0.52% and 0.66% respectively. Transaction costs were 0.14% and 0.18% respectively. These are all broadly the same as last year (2020-21).</li> <li>Returns on the <b>Standard Life Managed Fund</b> for 3 year (annualised) were 1.39% p.a., versus benchmark of 1.20% p.a.</li> <li>Returns on the <b>Abrdn Multi-Asset Fund</b> for 3 year (annualised) were 1.33% p.a., versus benchmark of 3.27% p.a.</li> <li>Overall, we consider these broadly good value, noting though that the Abrdn Multi-Asset is behind benchmark over the 1 year and 3 year periods.</li> <li>The Trustee agreed to consolidate these funds into the <b>Clerical Medical BlackRock Balanced Lifestyle Fund</b>, and the transition was implemented in December 2022 (i.e. post the reporting period in this report). The Trustee did so, having concluded that the underlying risks of the lifestyle fund better match members age and retirement age.</li> </ul>	No further actions
AVC funds invested in the Clerical Medical Blackrock Balanced Lifestyle Option	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The <b>Clerical Medical BlackRock Balanced Lifestyle Option</b> is the Scheme's only default investment:</li> <li>The Ongoing Charges Figure (OFC) was 0.50% (same as last year 2020-21). Transaction costs for the constituent funds were reasonable for funds of this type and broadly inline with last year.</li> <li>The OCF is below the charge cap of 0.75% and is broadly in line with the 2020 benchmark survey conducted by the DWP (0.53% for schemes not used for auto enrolment) and with our experience of other AVC arrangements of this type.</li> <li>Returns for the constituent funds have been variable during the year and have not tracked their benchmarks as closely as we'd expect, in particular: <ul style="list-style-type: none"> <li>The 'growth period' is made up of c75% the <b>Clerical Medical Blackrock World Ex UK Fund</b> and <b>Clerical Medical Blackrock UK Equity Fund</b>: these funds underperformed their benchmarks, and although not by an excessive amount this does warrant close ongoing oversight.</li> <li>In the 'protection phase' investments move predominately to the <b>Clerical Medical Blackrock Over 15 Year Gilt Fund</b> and <b>Clerical Medical Blackrock Corporate Bond Fund</b>: again, these have underperformed against their benchmarks and warrant close ongoing oversight</li> </ul> </li> <li>In a volatile year, returns have been variable, particularly for members close to retirement given the movement in gilt yields. Therefore, we believe the Lifestyle Option continues to remain broadly good value but ongoing oversight is required to ensure long term volatility of returns remain suitably low.</li> </ul>	The Trustee should closely monitor the Clerical Medical funds in the default Option.

*\*Ongoing Charges Figure ('OCF') = Fund Management Charge ("FMC") which is principally the manager's annual charge for managing and operating a fund; and other indirect fees e.g. legal costs and custodian fees. The OCF is calculated as a percentage of all applicable assets under management. Excludes Scheme administration, governance, or professional advice costs, which are met by the Scheme. However, as part of the AVC arrangements, these providers do undertake some administration functions, the cost of which are included in the charges levied on members and included here.*

*Transaction costs – Maybe incurred on the buying and selling of investments and include for example stamp duty and brokerage fees. They may therefore happen when switching between funds and when selling investments to take benefits.*

# Analysis of net returns / costs & charges

Here, we consider the costs and charges (see figures in Appendix A) and net returns versus benchmarks (see figures in Appendix B). All figures are to 30 September 2022 unless stated.

Funds	Score	Observations	Recommended actions
The 'Pure DC' funds invested in the Standard Life With Profits Fund	Good Value = 2	<ul style="list-style-type: none"> <li>The <b>Standard Life With Profits</b> provided a bonus net of fees of 4% p.a. (at December 2022). There are no explicit costs associated with this fund as deductions are allowed for when final bonus rates are calculated. We consider this to be good value due to the bonus delivered.</li> </ul>	No further action
AVC funds invested in the remaining Clerical Medical unit linked fund options	Good Value = 2	<ul style="list-style-type: none"> <li>The OCF for the <b>Clerical Medical Unit linked funds</b> are 0.50% (aside from With Profits Fund of 1.0%). These are the same as last year (2020-21). Transaction costs remain broadly in-line with expectations for each type of fund held. These are all broadly in line with other AVC arrangements of this type.</li> <li>Clerical Medical quote returns versus the average returns for the relevant ABI sector – a number of these funds are not performing in-line with the ABI sector averages – some are above and some are below. We believe the funds are broadly good value but we recommend further review to compare these funds against their benchmarks.</li> <li>The <b>Clerical Medical UK Growth Fund</b> which is an actively managed fund has performed materially behind benchmark and close ongoing oversight is required.</li> </ul>	The Trustee should review the Clerical Medical funds against benchmark
AVC funds invested in the with profits funds	Good Value = 2	<ul style="list-style-type: none"> <li>The charges for <b>the Prudential With Profits Cash Accumulation Fund</b> is 1.00% - this is not unusual for these legacy type With-Profits arrangements but is high when compared to other options.</li> <li>The charges information is unavailable for three of the <b>With-Profits Funds (with Clerical Medical, Aviva and Zurich)</b> - this is not unusual for these legacy type arrangements.</li> <li>Returns for these funds are all broadly in-line with expectation and therefore are broadly good value.</li> </ul>	See Investment Governance section
DB Members with DC Underpin & Protected Rights DC members	This needs further review iro the interaction between the DB benefit and the DC underpin - but based on returns alone the DC aspect is Poor Value	<ul style="list-style-type: none"> <li>These members pay no charges for being invested within the DB assets (i.e. their returns are gross).</li> <li>DB Section performance was -30.9% p.a. (benchmark -32.0%) over the one year, and -10.7% p.a. (benchmark -11.7% p.a.) over the three year.</li> <li>Given recent investment performance and the planned move towards buy-in, the Trustee should consider the ongoing suitability of these assets for both the Protected Rights Pure DC members and the DB underpin members.</li> </ul>	The Trustee should consider the ongoing suitability of these assets

**\*Ongoing Charges Figure ('OCF')** = Fund Management Charge ("FMC") which is principally the manager's annual charge for managing and operating a fund; and other indirect fees e.g. legal costs and custodian fees. The OCF is calculated as a percentage of all applicable assets under management. Excludes Scheme administration, governance, or professional advice costs, which are met by the Scheme. However, as part of the AVC arrangements, these providers do undertake some administration functions, the cost of which are included in the charges levied on members and included here.

**Transaction costs** – Maybe incurred on the buying and selling of investments and include for example stamp duty and brokerage fees. They may therefore happen when switching between funds and when selling investments to take benefits.

# Section 1: Core financial transactions

The Scheme must have an appropriate process for delivering accurate and timely core financial transactions, whilst regularly monitoring the performance against these.

	Test	Score	Observations	Recommended actions
1)	<p>Trustees should have effective processes in place to control risks of delays and inaccuracies in core financial transactions and these should be reviewed regularly.</p> <p>Does the Scheme have appropriate controls in place?</p>	<b>Excellent Value = 3</b>	<ul style="list-style-type: none"> <li>The Scheme does include administration as a dedicated item on the agenda at every regular Board meeting</li> <li>The Scheme last reviewed their administrator's business continuity plan in November 2022</li> <li>The Scheme has documented service standards in place for the accuracy and time taken to process DC specific activities (which we understand includes core transactions), and tracks performance against those standards at each Board meeting</li> <li>AVCs are monitored within the broader DB section SLAs, and any member related issues flagged within the Hymans Robertson administration report</li> </ul>	No further actions
2)	<p>Core financial transactions must be processed promptly (i.e. within maximum timescale allowed and within SLAs) and accurately, being:</p> <ul style="list-style-type: none"> <li>Payment in and investment of member and employer contributions</li> <li>Transfers between schemes / investment switches within the Scheme</li> <li>Payments to beneficiaries</li> </ul>	<b>Good Value = 2</b>	<p>From the Hymans Robertson Administration reports provided, overall SLA performance for the whole scheme (DB + DC) (target of 95%) was as follows:</p> <ul style="list-style-type: none"> <li>01/10/2021 – 31/12/2021: 94.8% (Hymans gave an amber rating for cases completed in SLA and complaints, but green in all other areas including disclosure requirements being met)</li> <li>01/01/2022 – 31/03/2022: 96.2% (Hymans rated all areas green)</li> <li>01/04/2022 – 30/06/2022: 96.1% (Hyman rated all areas green except 'Upheld complaints during period' as red with one case related to delay in payment of AVCs).</li> <li>01/07/2022 – 30/09/2022: 96.6% (Hymans rated all areas green except 'Upheld complaints during period' as red with one case related to delay in payment of AVCs).</li> </ul> <p>Hymans records 'DC specific activities' (which appear to exclude AVCs) as:</p> <ul style="list-style-type: none"> <li>01/10/2021 – 31/12/2021: 100% within SLA</li> <li>01/01/2022 – 31/03/2022: 100% within SLA</li> <li>01/04/2022 – 30/06/2022: 100% within SLA</li> <li>01/07/2022 – 30/09/2022: 100% within SLA</li> </ul>	<p>Delays in AVC payment appear twice as complaints from members. One involved Prudential (the other case is not confirmed). Prudential has been beset with administration delays in the period and therefore we are not surprised by this.</p> <p>However, we recommend the Trustee maintains ongoing oversight of this on a quarterly basis to pre-empt any trends / material issues that could arise.</p>



# Section 1: Core financial transactions (cont.)

The Scheme must have an appropriate process for delivering accurate and timely core financial transactions, whilst regularly monitoring the performance against these.

	Test	Score	Observations	Recommended actions
3)	Trustees could also examine the level of member/beneficiary complaints in determining whether the scheme delivers value for members in terms of promptness and accuracy.	<b>Good Value = 2 (but careful oversight required)</b>	<p>The level of member complaints are reported to the Trustee in the Administration Report provided by their administrator.</p> <p>See point 2) above regards two complaints regards delays in AVC payments</p>	See 2) above.



## Section 2: Record keeping

Here we consider the security, accuracy; and ongoing review of data. This is the foundation of any scheme, as it drives the provision of accurate benefits.

	Test	Score	Observations	Recommended actions
<b>Security of data</b>				
4)	Trustees should have controls in place to ensure that scheme members data is secure and is processed in accordance with the requirements of the Data Protection Act 2018.	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Scheme Administrator's AAF report is available and a copy can be found online.</li> <li>Ross Trustees has confirmed that two exceptions were identified but these are not material to the DC /AVC benefits in the Scheme</li> </ul>	The Trustee should continue to review annually
5)	Data security should feature prominently in the scheme's risk register and risk planning. Trustees should assess the robustness of the controls they have in place, including data security and cyber risk	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>Ross Trustees has confirmed that the Risk Register contains comment on data security</li> <li>Ross Trustees has confirmed that the Scheme does not have a Data Security and Cyber Risk Policy</li> </ul>	The Trustee should consider introducing a specific Data Security and Cyber Risk policy, if suitable comment is not included in the Risk Register.
6)	Where record keeping is outsourced trustees should look at the effectiveness of data security controls put in place by their outsourced provider.	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>We understand that the Trustee has reviewed the Scheme Administrator's Data Security controls as evidenced in the AAF report or other such document</li> </ul>	The Trustee should continue to review the data security controls annually to confirm it is comfortable with data security controls
7)	There are business continuity mitigations – e.g. on key personnel absence. Trustees should assess the robustness of the controls they have in place.	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Scheme does not have a Business Continuity Plan</li> <li>The Scheme's primary third party providers (e.g. administrator) have Business Continuity Plans. Ross Trustees has confirmed that Hymans do not share the BCP but have the Protection of Client Data document which instead covers what Hymans do from an information security and BCP perspective.</li> </ul>	The Trustee should continue to review annually

## Section 2: Record keeping (cont.)

Here we consider the security, accuracy; and ongoing review of data. This is the foundation of any scheme, as it drives the provision of accurate benefits.

	Test	Score	Observations	Recommended actions
<b>Accuracy and scope of records / data kept</b>				
8)	Trustees should check that they are holding all the data that they are required to hold by law including, for example, books and records relating to trustee meetings and certain transactions	<b>Good Value = 2</b>	The Scheme has a designated Secretary – the Secretary should ensure the Trustee is aware of their requirements and documents are maintained appropriately	This should be reviewed annually
9)	The scheme should review the quality of common and scheme-specific data at least annually	<b>Poor Value = 1</b> (but note this may just be timing and so will be reviewed next year)	Ross Trustees have confirmed that Common and Conditional data has not been reviewed during the period, as the Trustee is currently working with Hymans to review data as part of ongoing GMP work and wider data improvement work with Hymans. Once complete, common and conditional data scores will be re run. This should be towards the end of 2023, early 2024. As a result of ongoing data improvement work the Trustee is comfortable that the action remain open as work is actively being undertaken to improve data which will lead to improved common and conditional data scores.	This review should be carried out annually but it is noted that work is being undertaken to improve data ahead of common and conditional data scores being reviewed so that data improvements can be captured.

## Section 3: Default investment strategy

Here we consider the appropriateness of the default investment strategy

	Test	Score	Observations	Recommended actions
10)	The investment strategy is clear, is appropriate for each stage of the member journey, and is consistently followed in accordance with strategy objectives	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Scheme is in the process of drafting a stand alone default Statement of Investment Principles to cover the <i>Clerical Medical BlackRock Balanced Lifestyle Fund</i>, and we recommend this is completed as soon as possible</li> <li>The Scheme has considered the default investment strategy within the last 3 years and is therefore compliant</li> <li>The Trustee has instructed XPS (at their November 2022 meeting) to consider: <ul style="list-style-type: none"> <li>"In respect of the orphaned assets, the Trustee will be undertaking further due diligence with Standard Life to inform any further decisions regarding these"; AND</li> <li>Regards AVC With Profits funds it was noted: "SS [Sophia Singleton] confirmed that there was a £15k with-profits policy with Clerical Medical and £315k with-profits policy with Prudential and XPS will revisit the policies to see if a transfer would be appropriate."</li> <li>For completeness we note that the <i>Zurich With Profits 90:10 Fund</i>, was reviewed previously and agreed as suitable to retain, so no changes are planned for this.</li> </ul> </li> <li>In December 2022 a transition of DC investment was completed from the <i>Standard Life Managed Fund</i> and the <i>Abrdn Multi-Asset Fund</i> to the <i>Clerical Medical BlackRock Balanced Lifestyle Fund</i>.</li> </ul>	The actions noted are being progressed with XPS reporting to the Trustee as necessary for further consideration.

## Section 3: Default investment strategy

Here we consider the appropriateness of the default investment strategy

	Test	Score	Observations	Recommended actions
11)	The value added from portfolio construction, asset allocation and manager selection is assessed when the investment strategy is reviewed	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Scheme did consider these factors at its most recent review</li> </ul>	No further action
12)	The risk and return in the investment strategy is properly considered and is suitable for the objectives of the scheme and the demographic profile of the members	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Scheme did consider these factors at its most recent review</li> <li>The default is a lifestyle strategy, and hence considers the members likely retirement pathway and risk profile</li> </ul>	No further action
13)	The policies on ESG and climate change risks and opportunities in the statement of investment principles are not generic, but are tailored to the investment strategy of the scheme or fund.	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Scheme is required to comply with the TCFD (and has reported as necessary)</li> <li>The current SIP has a responsible investment policy, having been considered by the Trustee.</li> </ul>	No further action

## Section 4: Quality of investment governance

[intro to section]

	Test	Score	Observations	Recommended actions
14)	Documented and robust investment governance procedures are in place and adhered to. In schemes where there is more than one trustee, there is a clear investment governance structure in place and each member within that structure is clear about their role and level of authority in decision making	<b>Good Value</b> = 2	<ul style="list-style-type: none"> <li>The Board considers the performance of the DC and AVCs annually (using this Value for Members report)</li> <li>There is an investment Governance Committee that assists with ongoing governance on the scheme</li> </ul>	No further action
15)	Where tasks and decisions in relation to investment are delegated, those individuals have the required knowledge and expertise to perform their role competently, and performance is assessed periodically	<b>Good Value</b> = 2	<ul style="list-style-type: none"> <li>The Scheme has an investment consultant, that has clear goals and assessment under the CMA requirements which are clearly documented.</li> <li>Ross Trustee as a PCST is expected to have sufficient knowledge and training and therefore those on the IGC can be considered as having suitable knowledge</li> </ul>	No further action
16)	Trustees can demonstrate that where fiduciary manager and investment managers are used, trustees remain actively engaged with such managers when investment decisions are made	<b>Good Value</b> = 2	<ul style="list-style-type: none"> <li>The Trustee does not meet the AVC providers, and this is not unusual these being Standard Life, Prudential, Clerical Medical, Zurich, Abrdn – and this is common for most Trustee boards.</li> <li>However, the Trustee does consider their investment performance annually, and the administration performance (via Hymans Robertson quarterly reporting) hence there is broad oversight</li> </ul>	We would not generally recommend that Trustee meets with their AVC providers – however Ross Trustees and XPS engage with these providers as part of their roles and therefore this is suitable
17)	The Trustee board as a whole has the knowledge and competence to oversee investment effectively, they ensure investment objectives and strategies are understood and followed, and are able to challenge investment advice where necessary	<b>Good Value</b> = 2	<ul style="list-style-type: none"> <li>Ross Trustee, as a Professional Corporate Sole Trustee (PCST) should be expected to uphold suitable levels of knowledge and training.</li> <li>As Ross Trustee was appointed in April 2022, we find it reasonable that the Trustee has not undertaken an annual review of its effectiveness and knowledge</li> <li>The Scheme has documented investment training in the Training Log for the year</li> </ul>	Training should continue to be documented to evidence suitability

## Section 4: Quality of investment governance

[intro to section]

	Test	Score	Observations	Recommended actions
18)	Reviews of how funds are performing against their objectives and reviews of portfolios are being carried out regularly	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Scheme has reviewed its investment strategy within the last 3 years and the unit linked AVC funds and DC funds were rationalised in 2021 and 2022. The remaining AVC with profits funds are due to be rationalised next, subject to current market conditions.</li> <li>The Scheme has assessed the performance of its funds and strategies each year as evidenced by receiving this Value for Members report</li> <li>The Trustee considered whether the DB investments for the 'DB members with DC underpin' and 'Protected Rights Pure DC members' were suitable in 2021. However, given recent investment performance and the planned move towards buy-in, the Trustee should consider the ongoing suitability of these assets for both the Protected Rights Pure DC members and the DB underpin members.</li> </ul>	<p>The Trustee is considering completing the review of the remaining With-Profits AVC investments</p> <p>Consider reviewing the suitability of the DB investment given recent performance</p>
19)	Trustees recognise the role of trustees in asset allocation, setting investment strategy and the selection, monitoring and retention of managers	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>Being a PCST we would expect Ross Trustees to be knowledgeable in this area and note its responsibilities</li> </ul>	No further action
20)	Trustees have risk management and continuity plans in place to deal with economic crises and market volatility, and clear governance structures in place in relation to long term financial sustainability of investments including consideration of climate change and ESG factors	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Risk Register has content which sets out a plan to deal with such matters (although we note the copy provided is from 2021 and therefore should be updated)</li> <li>The SIP covers the Board's policy on long term financial sustainability of investments including consideration of climate change and ESG factors</li> </ul>	No further action
21)	Trustees have good oversight of the communication strategies used to keep members informed about their investment options	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Scheme currently has an ongoing review of it's communications (confirmed by Ross Trustees)</li> <li>Members received communication of the investment switches in the DC Funds in September 2022</li> </ul>	Ongoing review of communications to be completed.

## Section 5: Trustee knowledge & understanding

Here, we consider the appropriateness of the trustee board structure and operations, and whether this is effectively implemented

	Test	Score	Observations	Recommended actions
22)	Whether sufficient time is spent running the scheme – TPR suggests that board meetings should usually be held at least quarterly	<b>Excellent Value = 3</b>	<ul style="list-style-type: none"> <li>The Trustee meetings, at which the DC benefits are considered are held at least every quarter</li> </ul>	No further actions
23)	Diversity of the trustee board in terms of background, experience and skills – A variety of different skills, experiences and backgrounds should be evident on the Board as a whole and be relevant to meet the needs of the scheme. For example, the attributes of different board members might range from particular knowledge of investment matters to understanding the employer’s priorities to simply asking the right questions	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>Ross Trustee has confirmed that they have considered diversity, skills, and performance and have assessed their knowledge and skills over the year</li> </ul>	Consider whether an action plan is required to address any outcomes from these assessments
24)	Quality of leadership and effectiveness of board decision making - The chair of trustees should also be able to demonstrate effective leadership skills. These include managing conflicts and adopting an inclusive approach which draws in the various skills and experiences across the members of the board. TPR recommends that the performance and effectiveness of the board should be evaluated annually. There are various ways of achieving this including peer review, questionnaire or the use of an external agency	<b>Excellent Value = 3</b>	<ul style="list-style-type: none"> <li>We understand that the Trustee has assessed leadership and decision making in the year (as part of its wider evaluation)</li> <li>The Chair has demonstrated effective leadership by ensuring the Trustee is undertaking training, and assessing performance of the board over the year</li> </ul>	No further actions

## Section 5: Trustee knowledge & understanding

	Test	Score	Observations	Recommended actions
25)	Trustee Continuous Learning and Development - Boards should be able to explain how they ensure that trustees have the necessary knowledge and understanding to carry out their role and act in the best interest of their members. TPR recommends all trustees keep a record of training undertaken and plans for future training to ensure that they possess, or are in the process of obtaining, appropriate knowledge and skills	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>Ross Trustees, being a PCST is expected to have its own training regime, which all Director's must adhere – which we understand is the case</li> <li>The Scheme has a Training Log which is up to date and a future plan for DC training</li> </ul>	Ensure Ross Trustees internal training regime is documented for the Scheme to show compliance with requirements.
26)	Quality of working relationships with employer/third parties - TPR suggests that the performance of advisers and providers will be reviewed at least quarterly by many schemes but that it may be appropriate for reviews to be less frequent for smaller, less complex schemes. They also recommend that trustees should be in regular contact with the employer in order to foster a constructive relationship	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Trustee receives reporting from key third parties, including quarterly administrator reports and an annual Value for Members report to consider DC and AVC performance.</li> <li>XPS attends Trustee meetings to provide investment advice on DC/AVC matters, and Hymans Robertson reports quarterly on administration performance</li> <li>The employer attends Trustee meetings as necessary</li> </ul>	No further actions



# Section 6: Quality of communications

Effective communication is essential to good member outcomes. Below, we consider both the Trustee’s communications strategy, and whether this is effectively implemented

	Test	Score	Observations	Recommended actions
27)	The Trustees have complied with their minimum statutory obligations to provide the required information inline with Disclosure Regulations to members	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Trustee has appointed a third party administrator (Hymans Robertson) with clear service agreements in order to assist in meeting these requirements.</li> <li>The Hymans Robertson administration reports confirm that in two quarters in the Scheme year, all disclosure requirements for the Scheme have been met. For the other two quarters, we note two AVC member complaints, but these are related to delays in payments / disinvestments rather than communication disclosures specifically.</li> <li>We do not believe that the Trustee has undertaken a review of their communications in order to audit their compliance in the period covered.</li> </ul>	Trustee should audit compliance with DC and AVC disclosure requirements
28)	Information should be given to scheme members in an accurate, clear and concise way which is easy for them to understand. <ul style="list-style-type: none"> <li>Has there been feedback from scheme members?</li> <li>Have there been complaints about quality and quantity of information received?</li> </ul>	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Trustee has not had ad-hoc feedback from members regards their communications (aside from the AVC complaints above, which are more related to delays than communications)</li> </ul>	The Trustee may wish to ask members for their opinions on communications (see point 30)
29)	The Trustees should have a clear communications plan / strategy – which considers matters including the preferences of members, media used, the multiple member journeys (e.g. pre-retirement, at retirement etc), messaging and other related matters	<b>Good Value = 2</b>	<ul style="list-style-type: none"> <li>The Trustee does not have a specific communications plan or strategy specifically related to the DC / AVC benefits</li> </ul>	Introduce a DC/AVC communications strategy and an annual communications plan

# Section 6: Quality of communications

Effective communication is essential to good member outcomes. Below, we consider both the Trustee’s communications strategy, and whether this is effectively implemented

	Test	Score	Observations	Recommended actions
30)	<p>Scheme members’ individual preferences should be acknowledged and technology and digital platforms used as appropriate.</p> <ul style="list-style-type: none"> <li>Have the Trustees researched the view of members?</li> </ul>	<p><b>Good Value = 2</b></p>	<ul style="list-style-type: none"> <li>Members communication preference (paper or electronic) are recorded</li> <li>There is no online facility for DC / AVC members, but, as the population are largely underpin benefits (which do not lend themselves to online transactions) and AVC members (where it is common that online is not available for transactions) we do not see this as a material concern.</li> <li>We are not aware that the Trustee has undertaken a member survey on communications in the period. However, we note that the member profile is a deferred membership, of mainly AVCs and limited DC benefits. Therefore, we would anticipate that engagement from this membership could be low and therefore would not generally suggest a survey related only to this group may be beneficial or well supported by members. Instead, a broader Scheme survey may be beneficial, within which AVC/DC could be referenced</li> </ul>	<p>Consider the views of members to allow for better suited communications – noting the point in ‘Observations’</p>
31)	<p>Has the Trustee undertaken a review of communications in the year considering the quality, compliance and timeliness of information in the following areas:</p> <ul style="list-style-type: none"> <li>Information and guidance in relation to the rights to transfer to another scheme</li> <li>The quality of guidance on spotting potential scams</li> <li>Information to help with decision making on investment options</li> <li>Information in the retirement wake up pack</li> <li>General signposting of members to various guidance bodies</li> <li>Information to help with decision making on pension saving, including, for example, an indication of the value at retirement and the impact of contribution levels on that value</li> </ul>	<p><b>Good Value = 2</b></p>	<ul style="list-style-type: none"> <li>The Trustee is in the process of undertaking a communications review. We would encourage the Trustee to conclude this and implement appropriate amendments.</li> <li>The Scheme did not review whether members had received information in-line with the communications strategy, but it is reasonable to assume they have given Hymans Robertsons administration reports confirming that disclosure requirements were met (aside from we understand the two AVC complaints)</li> </ul>	<p>Trustee to conclude their communications review and implement any changes as necessary</p>

## Section 7: Management of conflicts

Conflicts of interest may arise either among trustees, between trustees and the employer or scheme provider, or with service providers and advisors. The Trustee[s] should there have an effective system of documenting, monitoring, and dealing with conflicts should they arise.

	Test	Score	Observations	Recommended actions
32)	The Trustees are required to have a robust policy and written procedures in place that identify, manage and monitor conflicts of interest effectively, which is regularly reviewed	<b>Excellent Value = 3</b>	<ul style="list-style-type: none"> <li>• There is a clear policy and procedures document in place</li> <li>• The policy and procedures are regularly reviewed (i.e. at least annually)</li> <li>• The Trustee considers whether they are operating within the policy and procedures on a regular basis</li> </ul>	No further actions
33)	Controls are in place to ensure that all trustees are aware of the requirement to declare and discuss any potential conflicts	<b>Excellent Value = 3</b>	<ul style="list-style-type: none"> <li>• Trustee considers conflicts at each trustee meeting and are asked to raise any conflicts they are aware of</li> </ul>	No further actions
34)	A conflicts of interest register in place to record and declare interests that is discussed at every Board meeting	<b>Excellent Value = 3</b>	<ul style="list-style-type: none"> <li>• Trustee has a conflicts of interest register that is considered at each Board meeting</li> </ul>	No further actions
35)	Controls in place to ensure that all conflicts of interest are declared upon appointment of trustees and other service providers.	<b>Excellent Value = 3</b>	<ul style="list-style-type: none"> <li>• New trustees are to complete the relevant policy documents and consider conflicts of interest on appointment</li> </ul>	No further actions



 APPENDIX

# Appendix A - Costs and Charges

The charges and transaction costs to which members' funds are subject are summarised below as at 30 September 2022 (unless otherwise stated)

	OCF (%)*	Transaction Costs (%)	AVC Fund	OCF (%)*	Transaction Costs (%)	AVC Fund	OCF (%)*	Transaction Costs (%)
<b>DC Funds</b>								
Abrdn Multi-Asset Fund	0.66	0.18	Clerical Medical Halifax Fund	0.50	0.00	Clerical Medical UK Index-Linked Gilts Fund	0.50	0.29
Standard Life Managed Fund	0.52	0.14	Clerical Medical Cautious Fund	0.50	0.20	Clerical Medical Gilt & Fixed Interest Fund	0.50	0.12
Standard Life With-Profits Fund <sup>1</sup>	0.41 (reported as 0% in Chair Statement as implicitly included in bonuses paid)	-*	Clerical Medical Balanced Fund	0.50	0.25	Clerical Medical UK Property Fund	0.50	0.00
<b>Scheme's main DB assets</b>	0.00	0.00	Clerical Medical Adventurous Fund	0.50	0.18	Clerical Medical Ethical Fund	0.50	0.00
			Clerical Medical UK Equity Income (Acc) Fund	0.50	0.32	Clerical Medical Non-Equity Fund	0.50	0.22
			Clerical Medical Smaller Companies Fund	0.50	0.00	Clerical Medical With Profit Funds	1.00	0.24
			Clerical Medical UK Tracker Fund <sup>2</sup>	0.50	-*	Clerical Medical Cash Fund <sup>#</sup>	0.50	0.00
			Clerical Medical UK Growth Fund	0.50	0.35	Clerical Medical Blackrock Over 15 Year Gilt Fund <sup>#</sup>	0.50	0.00
			Clerical Medical European Fund	0.50	0.20	Clerical Medical Blackrock World Ex UK Fund <sup>#</sup>	0.50	0.00
			Clerical Medical Far Eastern Fund	0.50	0.54	Clerical Medical Blackrock Over 5 Year ILG Fund <sup>#2</sup>	0.50	0.03
			Clerical Medical Japanese Fund	0.50	0.06	Clerical Medical Blackrock UK Equity Fund <sup>#</sup>	0.50	0.09
			Clerical Medical North American Fund	0.50	0.18	Clerical Medical Blackrock Corporate Bond Fund <sup>#</sup>	0.50	0.00
			Clerical Medical International Growth Fund	0.50	0.21	Prudential With-Profits Cash Accumulation Fund	1.00	N/A
			Clerical Medical Retirement Protect Fund	0.50	0.56	Zurich With Profits 90:10 Fund <sup>1</sup>	N/A	N/A
						Aviva Conventional With-Profits Fund <sup>1</sup>	N/A	N/A

**Ongoing Charges Figure** = Fund Management Charge ("FMC") which is principally the manager's annual charge for managing and operating a fund; and other indirect fees e.g. legal costs and custodian fees. The OCF is calculated as a percentage of all applicable assets under management. Excludes Scheme administration, governance, or professional advice costs, which are met by the Scheme. However, as part of the AVC arrangements, these providers do undertake some administration functions, the cost of which are included in the charges levied on members and included here.

**Transaction costs** = May be incurred on the buying and selling of investments and include for example stamp duty and brokerage fees. They may therefore happen when switching between funds and when selling investments to take benefits.

The OCF and transaction costs for the DC funds and AVCs are detailed below. These are to the period ending 30 September 2022 unless stated otherwise. The funds used within the default are all subject to an OCF of 0.50% and are indicated with # and highlighted grey.

(Source: Abrdn, Aviva, Clerical Medical, Prudential, Zurich)

1 = There are no explicit costs. Instead, fund expenses are considered by the provider when determining bonuses rates each year

2 = Information reported is as at 30/12/2022.

\* = transaction costs for these funds were not available at the time of writing this report and XPS will seek to source these for future reports

# = These funds form part of the BlackRock Balanced Default Lifestyle

# Appendix B – DC Returns vs benchmark

The returns achieved on the Scheme's funds versus each funds' benchmark are summarised below as at 30 September 2022 (unless otherwise stated)

	1 year returns (%)			3 year returns ((% p.a.))		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
DC Funds						
Abrdn Multi-Asset Fund	(12.22)	(4.78)**	(7.44)	1.33	3.27**	(1.94)
Standard Life Managed Fund	(8.15)	(9.91)***	1.76	1.39	1.20***	0.19
Standard Life With-Profits Fund	4.00	-^	-^	4.00	-^	-^

Source: Abrdn, Aviva, Clerical Medical, Prudential, Zurich

All figures net of fees

\*\*40% FTSE All Share, 35% MSCI World ex UK, 15% SONIA +4%, 10% Markit IBOXX Sterling

\*\*\*ABI (Pension) Mixed Investment 40-85% Shares Sector Average

^ There is a 4% guaranteed bonus provided on this policy, so no Benchmark data as this is a guaranteed bonus rate fund

	1 year returns (%)			3 year returns ((% p.a.))		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Scheme's main DB assets	(30.90)	(32.00)	1.10	(10.70)	(11.70)	1.00

Source: Fund and Benchmark performance figures shown above have been estimated by XPS based on information provided by the DB Section investment managers at 30 September 2022.

All returns are gross of investment management fees.

# Appendix B – Returns vs benchmark (continued)

The following funds contain over 80% of the unit linked assets held with Clerical Medical. The returns achieved are for the period 1 October 2021 to 31 September 2022 – unless otherwise stated. For funds managed to a benchmark index (marked with a \*), the returns achieved are shown versus each funds benchmark index sourced by XPS and adjusted for fees (as these are not provided by Clerical Medical). For other funds returns achieved are shown versus the average returns for the relevant ABI sector.

AVC Funds	1 year returns (%)			3 year returns (% p.a.)		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Clerical Medical Cash Fund <sup>#</sup>	0.20	(0.10)	0.30	0.07	(0.20)	0.27
Clerical Medical Blackrock Over 15 Year Gilt Fund <sup>#*A</sup>	(39.10)	(35.51)	(3.59)	(18.47)	(15.55)	(2.92)
Clerical Medical Blackrock World Ex UK Fund <sup>#*B</sup>	(4.20)	(4.30)	0.10	7.89	8.90	(1.01)
Clerical Medical Blackrock Over 5 Year ILG Fund <sup>#&amp;*C</sup>	(38.80)	(37.98)	(0.82)	(8.74)	(10.11)	(1.37)
Clerical Medical Blackrock UK Equity Fund <sup>#*D</sup>	(6.40)	(4.60)	(1.80)	0.63	0.40	0.23
Clerical Medical Blackrock Corporate Bond Fund <sup>#*E</sup>	(23.50)	(21.92)	(1.58)	(7.87)	(6.88)	(0.99)
Clerical Medical Balanced Fund	(9.50)	(10.10)	0.60	0.17	1.45	(1.28)
Clerical Medical UK Growth Fund* F	(10.90)	(4.00)	(6.90)	(2.32)	0.80	(3.12)
Clerical Medical Cautious Fund	(10.70)	(12.20)	1.50	(1.90)	(1.15)	(0.76)

Source: Abrdn, Aviva, Clerical Medical, Prudential, Zurich

All figures net of fees

<sup>#</sup> = These funds form part of the BlackRock Balanced Default Lifestyle

<sup>&</sup> = Figures as at 31 December 2022 (30 September 2022 were not available)

\* = See comment in header above

Fund aims as stated by Clerical Medical:

A = The fund aims to achieve a return consistent with the FTSE UK Gilts Over 15 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK gilt market.

B = The aim of the Fund is to provide a return on your investment (generated through an increase to the value of the assets held by the Fund and/or income received from those assets) by tracking closely the performance of the FTSE Developed ex UK Custom ESG Screened Index. The Fund invests in equity securities (e.g. shares) of companies that make up the index.

C = The fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK index-linked gilt market.

D = The aim of the Fund is to provide a return on your investment (generated through an increase to the overall value of the assets held by the Fund and/or income received from assets held by the Fund) by tracking closely the performance of the FTSE All Share Custom ESG Screened Index.

E = This fund invests in investment grade corporate bonds denominated in sterling. The fund aims to achieve a return consistent with the iBoxx £ Non-Gilts Index. This index covers the broad spectrum of investment grade corporate bonds in issue.

F = To achieve capital growth by investing in shares of companies which are part of the FTSE All-Share Index (the "Index"). The Fund Manager seeks to outperform the Index by 1.25% per annum on a rolling 3 year basis, before deduction of fees.

# Appendix B – Returns vs benchmark (continued)

The following funds contain the remainder of the assets held with Clerical Medical (<20%).

The returns achieved are shown versus the average returns for the relevant ABI sector. Clerical Medical only provides the ABI sector returns which is less useful for comparing performance than the funds underlying benchmarks and results in some variation. However, most of the funds are index tracking funds (and therefore should perform in line with their benchmark) and the assets held are relatively small.

AVC Funds	1 year returns (%)			3 year returns (% p.a.)		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Clerical Medical Halifax Fund	0.00	(0.10)	0.10	0.00	(0.20)	0.20
Clerical Medical Adventurous Fund	(5.20)	(8.40)	3.20	2.73	3.38	(0.66)
Clerical Medical UK Equity Income (Acc) Fund	(7.90)	(5.80)	(2.10)	(1.32)	1.61	(2.92)
Clerical Medical Smaller Companies Fund	(28.80)	(33.00)	4.20	1.02	4.92	(3.90)
Clerical Medical UK Tracker Fund <sup>&amp;</sup>	(0.70)	0.00	(0.70)	1.96	2.76	(0.80)
Clerical Medical European Fund	(14.40)	(16.10)	1.70	1.41	2.66	(1.25)
Clerical Medical Far Eastern Fund	(8.20)	(9.20)	1.00	1.87	3.79	(1.92)
Clerical Medical Japanese Fund	(12.30)	(12.70)	0.40	1.02	1.67	(0.65)
Clerical Medical North American Fund	4.90	(2.10)	7.00	11.20	10.00	1.20
Clerical Medical International Growth Fund	0.60	(6.70)	7.30	7.87	5.94	1.93
Clerical Medical Retirement Protect Fund	(39.20)	(35.70)	(3.50)	(18.52)	(14.73)	(3.79)
Clerical Medical UK Index-Linked Gilts Fund	(34.70)	(32.80)	(1.90)	(13.78)	(12.58)	(1.19)
Clerical Medical Gilt & Fixed Interest Fund	(24.90)	(23.80)	(1.10)	(8.94)	(9.06)	0.12
Clerical Medical UK Property Fund	3.50	9.00	(5.50)	4.40	3.26	1.14
Clerical Medical Ethical Fund	(7.10)	(6.70)	(0.40)	6.71	5.94	0.77
Clerical Medical Non-Equity Fund	(11.70)	(13.20)	1.50	(2.88)	(2.64)	(0.25)
Clerical Medical With Profits Fund <sup>^</sup>	-	-	-	-	-	-

Source: Abrdn, Aviva, Clerical Medical, Prudential, Zurich

All figures net of fees

<sup>&</sup> = Figures as at 31 December 2022 (30 September 2022 were not available)

<sup>^</sup> = Data is not available at this time – XPS are following up with Clerical Medical



# Appendix B – Returns vs benchmark (continued)

The following funds contain the remainder of the AVC assets held with various providers. Where a fund is a “With-Profits Fund”, the fund performance shown is that for the underlying investments (as opposed to the bonuses provided to members).

AVC Funds	1 year returns (%)			3 year returns (% p.a.)		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Prudential With-Profits Cash Accumulation Fund	6.30	-^	-^	6.20	-^	-^
Zurich With Profits 90:10 Fund&	(15.10)	-^	-^	-	-^	-^
Aviva Conventional With-Profits Fund&	9.90	-^	-^	7.75	-^	-^

Source: Abrdn, Aviva, Clerical Medical, Prudential, Zurich

All figures net of fees

& = Figures as at 31 December 2022 (30 September 2022 were not available)

^Benchmark returns are not available at the time of completing this report



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