XPS Pensions

Travis Perkins Pension & Dependants' Benefit Scheme

Chair's Statement

1 October 2021 to 30 September 2022

Contents

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

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

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.

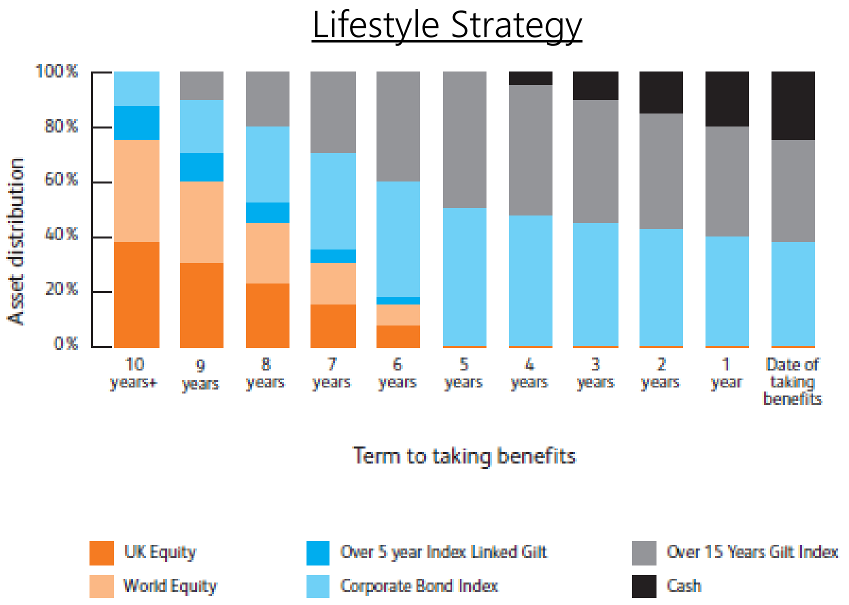
DC underpin benefits:
For members with historic DB benefits with a DC underpin, and those who had service during a period when the Scheme was contracted out on a 'Protected Rights' basis which have a DC underpin, their DC underpin funds are notionally invested in the main assets of the defined benefit 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 Abrdn 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.

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

*Calendar year returns to 31 December. Returns are underlying assets (not bonuses declared to members)
[1] Net returns to 31 December 2022 (September figures were not available)
#These funds (also shown in grey) form part of the BlackRock Balanced Default Lifestyle
^ Data was not provided by Clerical Medical. The Trustee has requested this from Clerical Medical, and XPS on behalf of the Trustee will continue to attempt to retrieve this information. This data will be included in future reports if provided

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)
DC Funds	%	%
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
AVC Funds		
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 [1]	(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^	-	-
Clerical Medical Cash Fund#	0.20	0.07
Clerical Medical Blackrock Over 15 Year Gilt Fund#	(39.10)	(18.47)
Clerical Medical Blackrock World Ex UK Fund#	(4.20)	7.89
Clerical Medical Blackrock Over 5 Year ILG Fund# [1]	(38.80)	(8.74)
Clerical Medical Blackrock UK Equity Fund#	(6.40)	0.63
Clerical Medical Blackrock Corporate Bond Fund#	(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

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

[1] There are no explicit costs. Instead, fund expenses are considered by the provider when determining bonus rates
[2] 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 (%)
DC Funds		
Abrdn Multi-Asset Fund	0.66	0.18
Standard Life Managed Fund	0.52	0.14
Standard Life With-Profits Fund[1]	N/A	N/A
AVC Fund		
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 [2]	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#	0.50	0.00
Clerical Medical Blackrock Over 15 Year Gilt Fund#	0.50	0.00
Clerical Medical Blackrock World Ex UK Fund#	0.50	0.00
Clerical Medical Blackrock Over 5 Year ILG Fund# [2]	0.50	0.03
Clerical Medical Blackrock UK Equity Fund#	0.50	0.09
Clerical Medical Blackrock Corporate Bond Fund#	0.50	0.00
Prudential With-Profits Cash Accumulation Fund	1.00	N/A
Zurich With Profits 90:10 Fund[1]	N/A	N/A
Aviva Conventional With-Profits Fund[1]	N/A	N/A

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

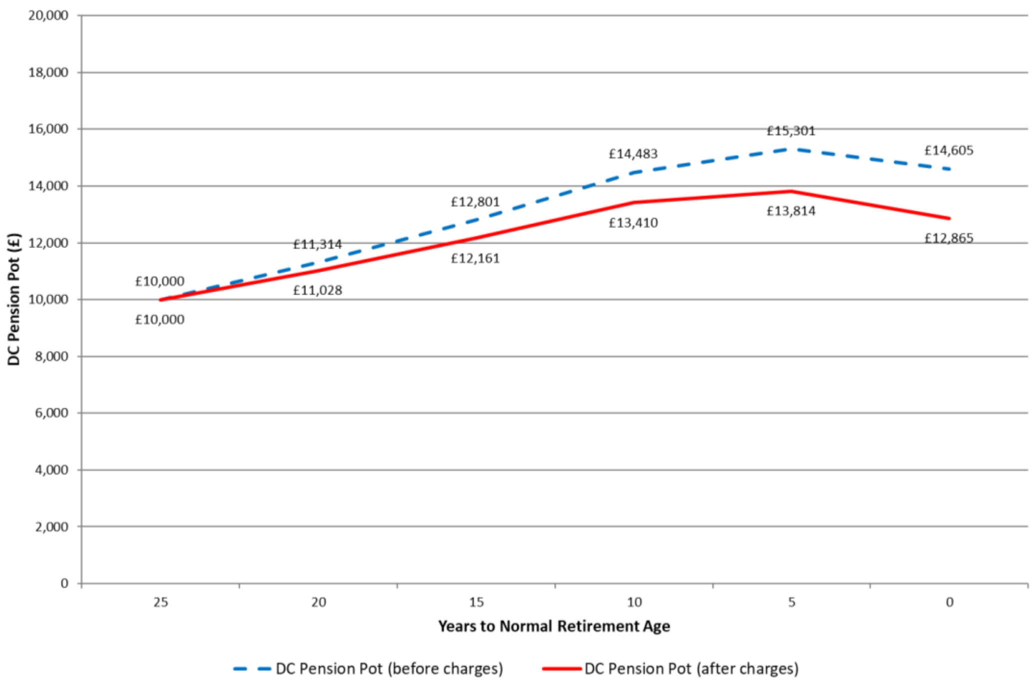
Charges and Transactions costs
continued

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

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.

04.02 Scheme administration

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

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

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.

Signature	**Date**

Name	**Qualification**
Kate Hardingham	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%^	0.00%	1.24%	0.00%	0.53%	0.00%	0.85%
Years to Normal Retirement Age	*DC Pension Pot (before charges)*	*DC Pension Pot (after charges)*	*DC Pension Pot (before charges)*	*DC Pension Pot (after charges)*	*DC Pension Pot (before charges)*	*DC Pension Pot (after charges)*	*DC Pension Pot (before charges)*	*DC Pension Pot (after charges)*	*DC Pension Pot (before charges)*	*DC Pension Pot (after charges)*
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).
^ 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[1] and Regulations[2] 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

1 The Pension Act 1995
2 Occupational Pension Schemes (Investment) Regulations 2005

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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:

>**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.

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
Market Risk	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.
Inflation Risk	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.
Liquidity Risk	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.
Environmental, Social and Governance Risk	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.

Manager Skill / Alpha Risk	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.

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.

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
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Registration

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

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

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Authorisation

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