



# Statement of Investment Principles - DC Section and AVCs

**For the Trustee of the Travis Perkins Pension &  
Dependents' Benefit Scheme**

September 2023

# Contents

<b>01</b>	<b>Introduction</b>	<b>1</b>
<b>02</b>	<b>Division of responsibilities</b>	<b>2</b>
<b>03</b>	<b>Strategic investment policy and objectives</b>	<b>4</b>
<b>04</b>	<b>Responsible investment</b>	<b>7</b>
<b>05</b>	<b>Risk measurement and management</b>	<b>8</b>
<b>06</b>	<b>Realisation of assets and investment restrictions</b>	<b>9</b>
<b>07</b>	<b>Investment Manager Arrangements and fee structure</b>	<b>10</b>
<b>08</b>	<b>Compliance Statement</b>	<b>12</b>
	<b>Appendix I - Investment Strategy and Structure</b>	<b>13</b>
	<b>Appendix II – SIP relating to the Default Arrangement</b>	<b>14</b>

# 01 Introduction

## Purpose

The Trustee of the Travis Perkins Pension and Dependents' Benefit Scheme ("the Scheme") has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Act and Regulations for its DC Section and Additional Voluntary Contributions. Further information on the investment arrangements can also be found in the Investment Implementation Policy Document ("IIPD"), which is available to Scheme Members upon request. The policies for the DB Section are detailed in a separate statement.

This statement overrides any previous policy with respect to the DC Section and Additional Voluntary Contributions detailed in the previous "Statement of Investment Principles" which covered both the DB Section and the DC Section and Additional Voluntary Contributions for the Scheme.

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

## Scheme details

The exclusive purpose of the Scheme is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004.

## Advice and consultation

Before preparing this Statement, the Trustee has sought advice from the Scheme's investment consultant, XPS Investment Limited. The Trustee has also consulted the Principal Employer. The Trustee will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

## Investment powers

The Scheme's Trust Deed and Rules sets out the investment powers of the Trustee. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restrict the Trustee's investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustee sets general investment policy but delegates responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

## Review of the Statement

The Trustee will review this Statement and the 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 also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances and attitude to risk of either the Trustee or Principal Employer which they judge to have a bearing on the stated investment policy.

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

## Definitions

Capitalised terms in this document mean the following:

**Act** - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004).

**AVCs** - Additional Voluntary Contributions.

**Default Arrangement** - The investment strategy as determined by the Trustee where monies will be invested for those Members who do not make their own investment determination.

**Investment Manager** - A person or organisation appointed by the Trustee to manage investments on behalf of the Scheme.

**Investment Consultant** - A person or organisation appointed to advise on investment issues for the Scheme.

**Investment Platform Provider** - A single provider offering access to a wide variety of underlying pooled investment funds which may be managed by different Investment Managers

**Principal Employer** - Travis Perkins Plc

**Regulations** - The Occupational Pension Schemes (Investment) Regulations 2005

**Relevant Member** - Any Member or beneficiary who is in a Default Arrangement

**Scheme** - The Travis Perkins Pension and Dependents' Benefit Scheme

**Statement** - This document, including any appendices, which is the Scheme's Statement of Investment Principles with regards to the DC Section and AVCs.

**Trustee** - The group of individuals who are responsible for the investment of the Scheme's assets and managing the administration of the Scheme

**Administrator** - The organisation appointed by the Trustee to maintain membership records

**Trust Deed and Rules** - The Scheme's Trust Deed and Rules, dated March 2006, as subsequently amended

# 02 Division of responsibilities

The Trustee is accountable for all aspects of the Scheme's investments. However, as permitted within the Trust Deed and Rules, the Trustee has delegated some of the decision-making powers and other responsibilities as set out below.

## Trustee

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The Trustee has retained the following responsibilities and powers for themselves:

- The content and the reviewing of this Statement.
- Reviewing the investment policy.
- Appointing the Investment Platform Provider and assessing its ongoing suitability in this role.
- Assessing the performance and investment process of the Investment Managers.
- Consulting with the Principal Employer when reviewing investment policy issues.
- Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.

In addition, the Trustee of the Scheme will make decisions relating to the Scheme's investments, including issues such as:

- The kinds of investments to be held.
- The balance between different kinds of investments.
- The types of risk these investments may expose Members to; and the types of risk these may afford Members protection against.
- The Investment Manager arrangements.
- The performance target of the Investment Managers.

## Investment Consultant

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The Investment Consultant's responsibilities include:

- Participating with the Trustee in regular reviews of this Statement, and in the review of investment related issues as described in this Statement.
- Undertaking project work as required including reviews of the range of assets covered by the investment options available to Members and reviews or selection of Investment Managers and/or the Investment Platform Provider.

## Investment Platform Provider

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The Investment Platform Provider's responsibilities include:

- Providing a range of investment funds from which the Trustee is able to select a subset of funds, consistent with the policy as set out in this Statement.
- Enabling the Trustee to select from the range of Investment Managers through the creation of funds which themselves invest in or are reinsured into underlying vehicles or portfolios managed by the Investment Managers.
- Blending or white labelling funds as appropriate/requested by the Trustee.
- Appointing a Custodian. For pooled assets, the Custodian is invariably appointed by the Investment Managers on behalf of the pooled fund as a whole. However, a separate Custodian may be appointed to provide the above services on behalf of the Investment Platform Provider.
- Providing the Trustee with the reporting that would otherwise be expected from the Investment Managers.
- Regular portfolio valuations and performance information along with a report, at least annually, on actions and future intentions and any changes to the processes, objectives and guidelines applied to their management of the Scheme's assets to enable the Trustee to review their Investment Managers' activities.
- Where appropriate, reporting in person at a Trustee's meeting at least annually or through documentation agreed between the two parties.

## Investment Managers

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Each Investment Manager's responsibilities will include:

- Investing in diversified portfolios of assets suitable for pension schemes in accordance with any guidelines given by the Trustee or the Investment Platform Provider.
- At their discretion, but in accordance with any guidelines given by the Trustee or the Investment Platform Provider, implementing changes in the asset mix and selecting individual securities and financial instruments within each asset class.
- Exercising, where appropriate, the rights attached to the underlying shareholdings so as to protect and enhance the long-term value.

## Custodian

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Each Custodian's responsibilities include some or all of the following:

- The safekeeping of all of the assets of the Scheme.
- Providing the Investment Managers and/or the Investment Platform Provider with statements as required of the assets, cashflows and schedules of transactions.
- Undertaking all appropriate administration relating to the Scheme's assets.
- Processing all dividends and tax reclaims in a timely manner.
- Dealing with corporate actions.

Record keeping of the Scheme's entitlement within the pooled fund is the responsibility of the pooled fund administrator or registrar.

## Administrators

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The Administrator's responsibilities include:

- Maintain membership records for the Scheme.
- Process regular cashflows for Scheme Members.
- Process any Member requests to change the investment strategy of their invested assets.
- During a transition of assets, to be involved in processing the transfer of assets and contacting Members to make them aware.

# 03 Strategic investment policy and objectives

## Choosing investments

The Trustee relies on professional Investment Managers for the day-to-day management of the Scheme's assets.

In view of the requirements in respect of the efficient administration of individual entitlements for each Member, all the investments (including the Default Arrangement and self-select range) are made on a pooled basis with the individual funds accessed through an investment platform.

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 adviser will have the knowledge and experience required under Section 36(6) of the Act.

## Long-term objectives

The Trustee's long-term objectives for the Default Arrangement are provided in Appendix II of this statement.

The long-term objective for the self-select fund range is to provide Members with a shortlisted range of funds that are expected to perform in line with the long term benchmarks that the managers have defined for each of them.

The Trustee recognises that the Default Arrangement and/or self-select fund range directly impacts the Scheme's Members and their expectation for their retirement provision.

The Trustee has therefore selected the investment options:

- In the best interests of Members
- In a manner calculated to ensure their security, quality, liquidity and profitability.

The Trustee has identified four investment considerations:

*Appropriateness* - To ensure Members are invested in an appropriate investment vehicle after receiving guidance on its suitability.

*Returns* - For the Default Arrangement, to enable Members to invest in a mixture of assets to give Members a vehicle that optimises the returns achieved at acceptable levels of risk. For the self-select fund range, to provide a short-list of funds for Members to choose from that enables Members to generate returns in line with the asset classes that they select. The asset classes available range from cash funds with nil risk (and hence returns) through to a growth equity fund with high expected long-term returns.

*Volatility* - For the Default Arrangement, to enable Members to invest in a mixture of assets that change as they approach retirement to provide members with an investment vehicle that offers protection against volatility in the capital value of their fund. For the self-select fund range, the funds are expected to have volatility in line with the underlying asset class.

*ESG/ Climate change/ Sustainability* - To ensure assets of the Default Arrangement are invested in accordance with Trustee's ESG and Climate Policy. The self-select fund range allows Members to invest in line with their own policy and beliefs.

## Investment Policy

In order to meet the objectives of the Default Arrangement detailed in the Appendix, the Trustee has selected a Default Arrangement which utilises a lifestyle mechanism. This lifestyle mechanism de-risks from equities to a mix of equities, corporate bonds and gilts prior to retirement. This is outlined further in Appendix II.

It is believed that over time the Default Arrangement should produce a suitable return for Members at an acceptable level of risk compared to investing in just a solitary fund with no lifestyle mechanism.

In order to meet the objectives of the self-select range, the Trustee has made available a range of investment funds with different risk-reward characteristics. The list of available self-select funds is provided in Appendix I.

By undertaking the investment policy described in this Statement, the Trustee anticipates that the investment options and the associated future absolute investment returns will allow Members to maintain or increase the real value of their fund whilst at the same time providing them with the opportunity to invest in assets which are closely aligned to the way in which they expect to convert their fund at retirement.

## Expected returns

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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.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers in respect of the Scheme's assets – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations, including the selection / deselection criteria set out in Section 7.

The Trustee encourages Investment Managers to make decisions in the long-term interests of the Scheme and Members. The Trustee expects 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 also requires the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee believes these factors could have a material financial impact in the long-term (see Section 4). The Trustee therefore makes decisions about the retention of Investment Managers, accordingly.

When setting the 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 have, along with the UK State Pension, a moderate income in retirement (c.50% 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 Arrangement 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.

## Range of assets

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The Default Arrangement provides Members with investment vehicles that in aggregate aim to provide a real return. The Trustee will ensure that the Default Arrangement holds a suitable diversified range of securities that avoids an undue concentration of assets, noting that the range of assets the Member is invested into will change as they approach retirement. In addition, the Trustee will ensure the Default Arrangement is otherwise suitable to meet the investment objectives as set out in this Statement.

For the self-select fund range, the Trustee will provide Members with investment vehicles encompassing both real and monetary assets. The amounts allocated to any individual asset class will be influenced by the self-select choices made by the Members and may vary through the Investment Managers' tactical asset allocation preferences at any time, within the restrictions imposed under individual fund investment parameters. The Trustee will ensure that the investment options made available to Members hold 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 of the self-select range.

For both the Default Arrangement and self-select funds, the Trustee will ensure that the Scheme's and Members assets are predominantly invested in regulated markets to maximise their security.

## **Trustee's policy on illiquid assets**

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Illiquid assets are those that cannot be easily or quickly exchanged for cash.

The Trustee's policy is to consider the benefits of all available asset classes when constructing the investment strategy of the Default Arrangement. This is to seek to improve member outcomes through improved risk-adjusted returns. At present, the Default Arrangement has no allocation to illiquid assets and the Trustee does not currently have a policy relating to investments in illiquid assets. This is due to prior decisions on appropriate levels of charges for members, the need to better understand the risk and reward profile of that asset class, and the implementation costs of introducing the asset class onto the investment platform used by the Trustee.

The Trustee will monitor the asset class and will, in conjunction with training and research from their investment consultant, determine whether there are suitable, future opportunities to invest in illiquid assets.



# 04 Responsible investment

The Trustee has considered its approach to environmental, social and corporate governance ("ESG") factors for the long-term time horizon of the Scheme (including that of the Default Arrangement and self-select range) and believe there can be financially material risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the underlying Investment Managers. The Trustee requires the Scheme's Investment Managers to take ESG and climate change risks into consideration within their decision-making in relation to the 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.

The Trustee will seek advice from their Investment Consultant on the extent to which views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement.

As the Default Arrangement and self-select funds are invested in pooled funds, the Trustee acknowledges that it cannot directly influence the policies and practices of the companies in which the pooled funds invest. The Trustee has therefore delegated responsibility for the exercise of rights (including voting rights) attached to these 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.

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustee may periodically meet with their investment managers to discuss engagement which has taken place. The Trustee will also expect their investment adviser to engage with the managers from time to time as needed and report back to the Trustee on the stewardship credentials of their managers. The Trustee will then discuss the findings with the investment adviser, in the context of their own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognise the Code as an indication of a manager's compliance with best practice stewardship standards.

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.

When considering the selection, retention or realisation of investments, the Trustee has a fiduciary responsibility to act in the best interests of the Members of the Scheme, although it has neither sought nor taken into account the Members views on risks including (but not limited to) ethical, social and environmental impact. The Trustee will review this policy if any Members views are raised in future.

Further details in relation to the Trustee's ESG and Climate Policy are available on request.

# 05 Risk measurement and management

The Trustee recognises a number of risks are involved in the investment of the assets of the Scheme's. The Trustee measures and manages the risks as detailed below.

The explanation for how these risks are managed for the Default Arrangement are detailed in the Appendix.

*Inflation risk* - the risk of not maintaining the real purchasing power of assets is addressed through the availability of growth orientated funds.

*Market risk* - the risk of exposure to volatile markets, which may be less acceptable to some Members, particularly near retirement.

*Manager risk* - the risk of an Investment Manager failing to meet the stated objectives is addressed through the use of predominantly passively managed funds. In monitoring the performance of the Investment Managers, the Trustee measures the performance of the vehicles in which they are invested, the returns relative to benchmark and objective and the volatility of returns.

*Political risk* – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

*Liquidity risk* - the risk that a Member wishes to make a disinvestment within a short time period and their invested assets cannot be realized is addressed through the use of daily dealt funds.

*Custodian risk* – this is addressed through the agreement with the third-party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Manager and/or the Investment Platform Provider.

*Counterparty risk* – this is addressed through the Investment Managers' guidelines with respect to cash management.

*Fraud/Dishonesty* – this is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

*Administration risk* – the risk of administrative errors leading to inaccurate Member records is addressed through controls built into the cash collection/allocation procedure and through monthly reconciliations of the administration records with those held by the Investment Manager.

**ESG risk** – the risk that environmental, social and governance factors can have a material effect on the ability of meeting long-term investment objectives is addressed, to the extent that it is possible, by delegating to the Investment Managers. Further detail is provided in this Statement.

The Trustee manages these risks through making available a broad range of assets and constructing a suitable Default Arrangement that is intended to ensure investment in the best interests of Members and beneficiaries. This Default Arrangement reflects the Scheme's membership characteristics and also the Trustee's investment beliefs. Full details of the investment strategy is shown in Appendix II.

# 06 Realisation of assets and investment restrictions

## Realisation of investments

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In recognition of the fact that funds 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 which are 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 the DC Section and AVCs are currently invested. As such, the Trustee believe that the Scheme currently holds an acceptable level of readily realisable assets. The Trustee will also consider how easily investments can be realised for any new investment classes they consider making available to Members, to ensure that this position is maintained in the future.

## Investment Restrictions

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The Trustee has established the following investment restrictions:

- The Trustee may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer.
- Whilst the Trustee recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustee has received advice from the Investment Consultant that the Scheme's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer.
- The Trustee will ensure that the assets of the Default Arrangement and the self-select funds are predominantly invested in regulated markets to maximise the security of the Members' entitlements.
- Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances, the Trustee may impose additional restrictions and any such restrictions are specified in the mandate given to the underlying Investment Manager.

# 07 Investment Manager Arrangements and fee structure

## Delegation to Investment Manager(s)

In accordance with the Act, the Trustee, in the selection of the Default Arrangement and self-select range, delegated to one or more Investment Managers the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). \*

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Scheme.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme's assets.

\*For non-UK Investment Managers who previously provided services under the EU passporting regime (where regulation was undertaken by the home state regulator), the temporary permissions regime established by the UK Government post Brexit allows firms to continue operating in the UK for a limited period of time while applying for full authorisation in the UK.

## Performance objectives

The individual benchmarks and objectives against which each pooled fund is assessed are available to Members on request.

## Review process

Appointments of Investment Managers are expected to be long term. The Trustee will review the appointment of the Platform Provider and the Investment Managers selected from those available on the Investment Platform in accordance with their responsibilities.

In respect of the Platform Provider, such reviews will include an analysis of the Platform Provider's processes, the range and ongoing suitability of the funds available on the Platform and the fee arrangements in place.

In respect of each Investment Manager, such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager.

The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustee's investment policies.

In addition, any significant changes relating to the criteria below that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend meetings of the Trustee as requested.

The Investment Consultant will carry out reviews of how well ESG factors are incorporated into each Investment Manager's processes when required and the Trustee will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

## (De)selection criteria

The criteria by which the Trustee will select (or deselect) the Investment Managers include:

- Parent - Ownership of the business;
- 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;

- ESG – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- The Investment Manager fails to meet their long term performance objectives.
- The Trustee believes that the Investment Manager is not capable of achieving the performance objectives in the future.
- The Investment Manager fails to comply with this Statement.

The Trustee may also select/ deselect funds according to the availability on the chosen investment platform.

## Portfolio Turnover

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The Trustee requires the Platform Provider to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, including those within the underlying funds, how turnover compares with the range that the Platform Provider expects and the reasons for any divergence.

## Fee Structures

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### *Investment Platform Provider*

The Investment Platform Provider is remunerated by receiving a proportion of the Scheme's assets under management. Details of the fees applicable for each fund are set out in the Schemes annual Value for Money Assessment.

### *Investment Managers*

The Investment Managers are remunerated out of the fees charged by the Platform Provider. It is felt that this approach is appropriate as it enables the Trustee to gain access to a range of funds which would otherwise prove to be inaccessible on cost and minimum investment criteria.

### *Investment Consultant*

The Investment Consultant is mostly remunerated for work completed on a fixed fee basis. Where additional projects are required, these may be undertaken on a time-cost basis or via a pre-agreed project fee. The appropriate method of remuneration from the Trustee is adopted dependent on the service provided. The items included in the fixed fee arrangement are outlined in the Engagement Letter in place with the Investment Consultant.

It is felt that these methods of remuneration are appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustee undertaking their responsibilities as described in Section 2.

# 08 Compliance Statement

## Confirmation of advice

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Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustee of a pension scheme, they must have consulted with the Scheme's Sponsor and obtained and considered the written advice of a person who is reasonably believed by them to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such Schemes.

## Trustee's declaration

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The Trustee confirms that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement for the DC Section and AVCs. The Trustee acknowledges that it is their responsibility, with guidance from the Investment Consultant, to ensure the assets of the DC Section and AVCs are invested in accordance with these Principles.

# Appendix I

## Investment Structure of the DC Section and AVCs

### Overall Strategy

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The Trustee has decided to offer a range of appropriate funds to Members to enable them to choose investments appropriate to their individual circumstances, whilst not offering too many funds which may deter some Members from making a choice.

In accordance with best practice guidance from the Pensions Regulator, particular attention has been placed on the Default Arrangement to be used where Members do not make their own investment choice.

### Default Arrangement

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Details of the Default Arrangement (effective from December 2022 for the DC section following transition activity), including investment policy, risk exposures and fees, are provided in the Default SIP (see Appendix II).

### Self-Select range

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The Trustee offers the following funds for those Members who want to self-select their own strategy for the investments;

- BlackRock UK Equity Index Fund
- UK Growth Fund
- Ethical Fund
- International Growth Fund
- BlackRock World (ex-UK Equity Index Fund
- Non-Equity Managed Fund
- Cautious Fund
- Balanced Fund
- Adventurous Fund
- UK Index-Linked Gilt Fund
- BlackRock Over 15 Year Gilt Index Fund
- BlackRock Over 5 Year Gilt Index Fund
- BlackRock Corporate Bond Index Fund
- Retirement Protection Fund
- UK Property Fund
- Halifax Fund
- Cash Fund

These self-select funds are made available through the Clerical Medical Platform.

# Appendix II

## SIP relating to the Default Arrangement of the Travis Perkins Pension and Dependent's Benefit Scheme: DC Section and AVC arrangements

### 1. Introduction

#### a) Purpose

The Trustee of the Travis Perkins Pension and Dependents' Benefit Scheme ("the Scheme") has 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 is 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 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.

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

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



## 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 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 4 of the DC Section and AVCs 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) Trustee's policy on illiquid assets**

Illiquid assets are those that cannot be easily or quickly exchanged for cash.

The Trustee's policy is to consider the benefits of all available asset classes when constructing the investment strategy of the Default Arrangement. This is to seek to improve member outcomes through improved risk-adjusted returns. At present, the Default Arrangement has no allocation to illiquid assets and the Trustee does not currently have a policy relating to investments in illiquid assets. This is due to prior decisions on appropriate levels of charges for members, the need to better understand the risk and reward profile of that asset class, and the implementation costs of introducing the asset class onto the investment platform used by the Trustee.

The Trustee will monitor the asset class and will, in conjunction with training and research from their investment consultant, determine whether there are suitable, future opportunities to invest in illiquid assets.

### **g) 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 expects 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.

<b>Risk</b>	<b>Definition</b>	<b>How it is measured/managed</b>
<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.

<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**

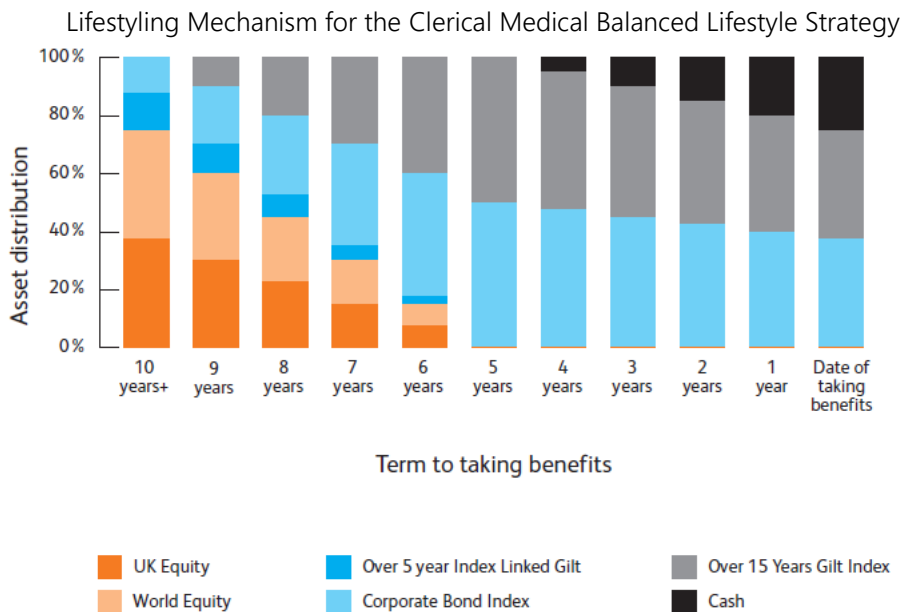
The Trustee will regularly review the investment performance of the Default Arrangement, not only in aggregate, but monitoring the performance of the individual components.

**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 investors wish to draw 25% of their fund as a cash sum on retirement and purchase an annuity with the balance.

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 gilt 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 from retirement, their investments will be made mainly into 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.



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**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).