Travis Perkins Pension & Dependants’ Benefit Scheme

Annual Report and Financial Statements
30 September 2021
Scheme Registration number 10121600

Contents

Section 1 – Trustee and its Advisers

The Trustee

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

With effect from 1 April 2022 Cobtree Nominees Limited will be removed as a Trustee and Ross Trustee Services Ltd will be appointed as the Trustee.

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

Independent Chair

Stella Girvin (resigned 31 March 2022)

Employer nominated	**Member nominated**
Mrs N McGowan (previously Bartley)	Graham Malpas (resigned 31 March 2022)
Mr J Harkness (resigned 30 June 2021)	Chris Shircore (resigned 31 March 2022)

Secretary to the Trustee	Mr A Mills, Capital Cranfield Pension Trustees Limited (resigned 31 March 2022)
	Ross Trustee Services Ltd (appointed 1 April 2022)
Investment Subcommittee Chair	Allan Whalley (resigned 31 March 2022)

Advisers

The advisers to the Trustee are set out below:

Actuary	R Shackleton FIA of Hymans Robertson LLP
Independent Auditors	Deloitte LLP
Legal Adviser	Gowling WLG (UK) LLP
Administrator	Hymans Robertson LLP
Investment Consultant	Mercer Limited (until 31 March 2021)
	XPS Pension Group (from 1 April 2021)
Investment Managers – Defined Benefit	Aberdeen Standard Investments (to November 2020)
	Ares Management LLC
	Insight Investment Management (Global) Limited
	Legal & General Investment Management Ltd
	M&G Alternatives Investment Management Limited
	Royal London Asset Management
Custodian (Insight and Royal London)	Bank of New York Mellon
Investment Manager – Defined Contributions	Aberdeen Standard Investments
Bankers	National Westminster Bank PLC (until 9 December 2020)
	Barclays Bank UK PLC

Section 1 – Trustee and its Advisers (continued)

Advisers (continued)

AVC Providers	Abbey National (to July 2021) Aberdeen Asset Aviva Clerical Medical Prudential Standard Life Utmost Life and Pensions Limited Zurich
Principal Employer	Travis Perkins plc

Section 2 – Trustee's Report

The Trustee presents the report and audited financial statements of the Travis Perkins Pension & Dependants' Benefit Scheme ("the Scheme") for the year ended 30 September 2021.

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

Management of the Scheme

Constitution of the Scheme

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

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

Rules and Benefits

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

Management of the Scheme

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

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

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

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

With the exception of the MNDs, the principal employer, Travis Perkins plc, is responsible for the appointment and removal of the Trustee Directors who can choose to retire from office at any time. The Trustee Directors in office during the year of this report, and their advisers, are shown on page 1. During the year no face to face meetings were held (2020: one) and ten video conferences (2020: four) were held to consider matters relating to the Scheme.

Trustee's Report (continued)

Management of the Scheme (continued)

Post year-end

With effect from 1 April Cobtree Nominees Limited will be removed and Ross Trustee Services Ltd will be appointed by the Principal Employer as Trustee of the Scheme.

Financial Development of the Scheme

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

The fund account shows that the net assets of the Scheme decreased from £1,329,208,000 at 30 September 2020 to £1,272,127,000 at 30 September 2021. The decrease in net assets is accounted for by:

	2021 £000	2020 £000
Principal Employer's and other contributions	508	1,937
Member related and other payments	(41,766)	(31,119)
Net withdrawals from dealings with members	**(41,258)**	**(29,182)**
Net (loss)/returns on investments	(15,823)	55,868
Net (decrease)/increase in fund	**(57,081)**	**26,686**
Opening net assets available for benefits	1,329,208	1,302,522
Closing net assets available for benefits	**1,272,127**	**1,329,208**

Contributions

The Scheme Actuary, an independent adviser to the Trustee, assesses the financial position of the Scheme every three years by performing an actuarial valuation. The latest triennial actuarial valuation of the Scheme was carried out as at 30 September 2020 in accordance with the requirements of Part 3 of the Pensions Act 2004. The Report on Actuarial Liabilities is on page 9 and 10 of this report.

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

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

Trustee's Report (continued)

Changes to the Scheme

During the year, XPS Pension Group replaced Mercer Limited as the Investment Consultants.

Pension Increases

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

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

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

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

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

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

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

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

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

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

Trustee's Report (continued)

Pension Increases (continued)

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

Transfer Values Paid

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

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

Additional Voluntary Contributions (AVCs)

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

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

Trustee's Report (continued)

Going Concern and COVID-19

During the year ended 30 September 2021 the spread of COVID 19 caused some disruption and volatility in the financial markets. Due to the nature of its investments, the Scheme was largely protected from this volatility. The Trustee will continue to monitor developments and the potential impact on the Scheme investments and the sponsor covenant.

In April 2021 Wickes demerged from the Travis Perkins Group and in October 2021 the sale of the Plumbing & Heating business was completed. On both occasions the Trustee received covenant advice from RSM. The advice received was that there had been no material detriment to the covenant.

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

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

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

Trustee's Report (continued)

Report on Actuarial Liabilities

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

The most recent full actuarial valuation of the Scheme was carried out as at 30 September 2020. An update of the position was obtained as at 30 September 2021. These showed:

Funding position		
	Actuarial valuation as at 30 September 2020 £'m	**Actuarial report as at 30 September 2021 £'m**
Technical Provisions	(1,290)	(1,198)
Assets (including AVCs and insured pensions)	1,325	1,263
Surplus	**35**	**65**

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

Further details on the contribution rates are given in note 4 to the financial statements. A copy of the most recent certification from the Actuary is given in Section 8.

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

Method

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

Trustee's Report (continued)

Report on Actuarial Liabilities (continued)

Significant Actuarial Assumptions

Discount rate: term-dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 1.2% per annum for the 5 years from 30 September 2020 to 30 September 2025, then reducing to an addition of 0.5% p.a. thereafter.

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

Future Consumer Price inflation: term-dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 0.8% per annum.

Pension increases: derived from the term-dependent rates for future retail and consumer price inflation, using the Black-Scholes model with a volatility assumption of 1.75% per annum, allowing for the relevant caps and floors on pension increases according to the provisions in the Scheme's rules.

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

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

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

Trustee's Report (continued)

Scheme Membership

The reconciliation of the Scheme membership during the year ended 30 September 2021 is shown below:

Pensioner Members (including spouses and dependants)	
As at 30 September 2020	**4,728**
Late Adjustments	50
Restated at 1 October 2020	**4,778**
Retirements	170
Deaths	(174)
Full commutations	(3)
New Beneficiaries	54
Other	(1)
Pensioner members as at 30 September 2021	**4,824**

Included within the above are 34 (2020: 34) pensioners whose benefits are provided by annuities.

Deferred Pensioner Members	
As at 30 September 2020	**5,059**
Late Adjustments	(39)
Restated at 1 October 2020	**5,020**
Retirements	(170)
Deaths	(16)
Transfers Out	(24)
Other	1
Deferred pensioner members as at 30 September 2021	**4,811**

Investment Policy

Introduction

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

Summary of Scheme's Investment Structure

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

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

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

DB Section

Investment Strategy

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

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

The target investment strategy of the DB Section at the 30 September 2021 year-end was as follows:

- 25.0% in return seeking assets comprising High Lease to Value ("HLV") property and Secured Finance.
- 30.0% in Buy & Maintain corporate bonds, which are expected to modestly outperform the DB Section's liabilities over the long term whilst exhibiting some sensitivity to interest rates.
- 45.0% in a liability hedging portfolio designed to hedge a proportion of the movements in the liabilities due to changes in interest rate and inflation expectations. This portfolio also includes the investment with High Grade ABS as this is used within the collateral management framework in place with Insight.

Investment Policy (continued)

Investment Strategy (continued)

In late October 2020, the Scheme reached a de-risking trigger at 98.0% (on a Gilts+0.5% basis) and in November 2020, undertook further de-risking of the Scheme's assets by fully redeeming the holding with Aberdeen Standard GARS (c.£60.6m) and investing the proceeds between the RLAM Buy & Maintain Corporate Bonds (c.£22.0m) and Insight LDI (c.£38.6m) portfolios. The allocation to RLAM was intended to realign the asset allocation with target allocation, whilst the strategic asset allocation with Insight increased. Following the actuarial valuation exercise from September 2020, the preliminary results showed an improvement in the Scheme's funding level to over 100% (on a Gilts + 0.5% basis). As such, the Trustee therefore further de-risked, by fully redeeming from the Insight Broad Opportunities fund (c.£59.3m), with the proceeds invested in the Insight LDI portfolio.

Following both de-risking actions, the allocation to Diversified Growth funds was reduced to 0% (2020: 10%), whilst the strategic allocation to the liability hedging portfolio increased to 45% (2020: 35%).

Shortly after year-end, upon becoming broadly funded on the Gilts + 0.5% funding basis, the Trustee disinvested from M&G Secured Income Property Fund with a redemption of c. £50m invested in Insight during November 2021 and LGIM LPI Property Fund (which comprised the allocation to HLV Property) with a redemption of c. £52m invested in Insight during December 2021.

Following the de-risking actions, the strategic asset allocation for HLV property was reduced to 0% (2020:10%), the Insight LDI portfolio increased to 50% (2020: 35%) and the Buy & Maintain Credit allocation increased to 35% (2020: 30%).

At the year-end, the asset allocation of the Scheme was not in line with the allocations disclosed in the Statement of Investment Principles ("SIP") however, since the year-end, the Investment Policy Implementation Document have since been reviewed and due to be signed off and finalised upon the appointment of the new Trustee.

The Myners Review and Code of Best Practice

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

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

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

While there are now only six DB principles, in place of the original ten, their scope is largely unchanged. The principles continue to emphasise the essentials of investment governance, notably the importance of effective decision-making, clear investment objectives and a focus on the nature of each Scheme's liabilities. The principles also require that the Trustee includes a statement of the Scheme's policy on responsible ownership in the Statement of Investment Principles and report periodically to members on the discharge of these responsibilities.

DC Section

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

Investment Policy (continued)

Responsible Investment and Corporate Governance

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

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

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

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

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

The Scheme invests a large proportion of its assets in funds / mandates where ESG factors have varying degrees of materiality such as credit and bond assets where ESG issues are still relevant to risk control, but there is less opportunity to influence investee company behaviour compared to equity holdings, although where relevant managers are encouraged to use their position as lenders of capital to engage with companies.

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

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

Investment Policy (continued)

Responsible Investment and Corporate Governance (continued)

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

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

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

Investment Policy (continued)

Deployment of investments

Defined Benefit Section

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

Manager	Fund	30 September 2021 (%)	30 September 2020 (%)
Aberdeen Standard	Global Absolute Return Strategies*	-	4.5
Ares	Secured Income Fund	4.8	4.5
Insight	Segregated Liability Hedging	24.5	28.1
	Secured Finance	3.2	2.8
	Broad Opportunities Fund**	-	4.3
	High Grade Asset Backed Security	18.1	11.5
	Segregated Buy & Maintain Credit	17.5	15.8
LGIM	HLV Property	4.0	3.6
M&G	Secured Property Income Fund	4.4	3.9
	Illiquid Credit Opportunities Fund II	5.7	5.1
RLAM	Segregated Buy & Maintain Credit	15.0	12.9
XPS (2020: Mercer)	SPV	2.6	2.7
Various	AVCs	0.2	0.3
Total DB Section		**100.0**	**100.0**

Figures subject to rounding.

*Notes: *Aberdeen Standard – Global Absolute Return Strategies was disinvested and closed in November 2020;*

***Insight – Broad Opportunities Fund was disinvested and closed in November 2020.*

Defined Contribution Section

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

Manager	Fund	30 September 2021 (%)	30 September 2020 (%)
Aberdeen Standard	ASI Life Multi-Asset Fund	48.3	100.0
Standard Life	Managed Fund	8.9	-
Standard Life	With Profits Fund	42.8	-
Total DC Section		**100.0**	**100.0**

Figures subject to rounding.

Review of Investment Performance

Defined Benefit Section

For periods to 30 September 2021, the DB Section's estimated total investment returns are set out in the table below. All returns are gross of investment management fees.

	30 September 2021 (% p.a.)		30 September 2020 (% p.a.)	
	1y	3y	1y	3y[(a)]
DB Section Total	**(1.8)**	**7.8**	**5.0**	**9.7**
Benchmark	**(3.8)**	**7.1**	**5.2**	**9.2**

Source: Estimated by XPS and Mercer based on information provided by the DB Section investment managers at 30 September 2021 and 30 September 2020 respectively.

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

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

Investment Policy (continued)

Review of Investment Performance

DC Section

For periods to 30 September 2021, the DC Section's fund investment returns are set out in the table below. All returns are gross of investment management fees.

	Last Year		Last Three Years	
Fund	**Fund (%)**	**B'mark (%)**	**Fund (% p.a.)**	**B'mark (% p.a.)**
Multi-Asset Fund	**15.9**	**19.1**	**8.0**	**6.3**
Managed Fund	**16.1**	**16.5**	**6.4**	**6.3**
With Profits Fund	**3.7**	**N/A**	**3.0**	**N/A**

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

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

Standard Life Managed Fund – ABI (Pension) Mixed Investment 40% - 85% Shares Sector Average

Standard Life With Profits Fund – Not managed to a benchmark

Investment Policy (continued)

Custodial arrangements

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

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

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

Manager	Mandate	Pooled/ Segregated	Custodian
Insight	Buy & Maintain Credit	Segregated	BNYM
	Liability Hedging	Segregated	BNYM
	High Grade ABS	Pooled	BNYM [1]
	Secured Finance	Pooled	BNYM [1]
LGIM	HLV Property	Pooled	HSBC
M&G	Illiquid Credit Opportunities Fund II	Pooled	State Street Custodial Services (Ireland) Ltd
	Secured Property Income Fund	Pooled	Kleinwort Benson (Guernsey) Limited
RLAM	Buy & Maintain Credit	Segregated	BNYM
Ares	Secured Income Fund	Pooled	BNYM

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

[1] Northern Trust is Insight's appointed custodian for the Secured Finance and the High Grade ABS funds. The DB Section's units in the pooled funds are held in a segregated account at the DB Section's appointed custodian, BNYM.

Statement of Investment Principles

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

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

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

Investment Policy (continued)

Risk

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

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

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

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

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

Engagement and Monitoring

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

a) To select a combination of investment products that together (though not necessarily individually) would generate the maximum net of fees added value over the benchmark, given the ISC's tolerance for investment manager risk;

b) To employ highly-rated investment products, according to the Investment Consultant's research, wherever possible (subject to objective a);

c) To minimise potential transition costs by retaining the incumbent managers where possible (subject to objectives (a) and (b) above), but allowing for the fact that the cost of making a change can easily be outweighed by superior future performance.

Investment Policy (continued)

Engagement and Monitoring (continued)

The investment managers are appointed by the ISC based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and desired risk characteristics. The ISC utilises XPS's forward looking manager research ratings in decisions around the selection, retention and realisation of manager appointments. These ratings are based on XPS's assessment of the manager's parent, people, product, process, performance, pricing, position and ESG capabilities.

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

Some mandates are actively managed and the managers are incentivised through performance targets (an appointment will be reviewed following periods of sustained underperformance) and hence the fees they receive – are also dependent upon them achieving performance targets. The ISC will review the appropriateness of using actively managed funds as part of the wider monitoring of the Scheme's managers.

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

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

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

The ISC receives investment manager performance reports from the managers and XPS Investment on a quarterly basis, which present performance information over 3 month, 1 year and 3 years (p.a). The ISC review absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the manager's stated performance target (over the relevant time period). The Trustee's focus is primarily on long term performance but short term performance is also reviewed. As noted above, the Trustee and ISC may review a manager's appointment if:

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

Investment Policy (continued)

Engagement and Monitoring (continued)

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

The Trustee and ISC reviews the DC and AVC providers' proposition, including investment manager fees where possible, on an annual basis as part of a "Value for Money Assessment". However, it is recognised that these are legacy arrangements and therefore are not easily changed and the alternative provider market is very limited.

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

The Trustee receives some MiFID II reporting from their investment managers but does not analyse the information. The ISC will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask managers to report on portfolio turnover costs explicitly. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

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

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

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

a) There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

b) The manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate.

Employer Related Investments

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

The Trustee reviews the Scheme's allocation to ERI on an on-going basis and is satisfied that the proportion of the Scheme's assets in ERI did not exceed 5% of the market value of the Scheme's assets as at 30 September 2021, and the Scheme therefore complies with legislative requirements. This will continue to be monitored annually. Furthermore, the Trustee has agreed with the relevant investment managers with whom segregated mandates are held to restrict ERI to zero.

Statement of Trustee's responsibilities

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

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

- contain the information specified in the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

Statement of Trustee's Responsibilities in Respect of Contributions

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

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

Further Information

Internal Dispute Resolution (IDR) Procedures

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

Contact for Further Information

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

The Pensions Advisory Service and The Pensions Ombudsman

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

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

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

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

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

Further Information (continued)

The Pensions Regulator

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

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

Pension Tracing Service

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

Contact details for the services are as follows:

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

Approval of the Report by the Trustee

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

Stella Girvin, Chair of Trustees

Graham Malpas, Trustee Director

29th March 2022

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

Report on the audit of the Financial Statements

Opinion

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

- show a true and fair view of the financial transactions of the scheme during the year ended 30 September 2021 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements which comprise:

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Trustee

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

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

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

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

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

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

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

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

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

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

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

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

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

Use of this report

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

Deloitte LLP

Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom
Date: 29 March 2022

Section 4 – Financial Statements

Fund Account for year ended 30 September 2021

	Notes	2021 £000	2020 £000
CONTRIBUTIONS AND BENEFITS			
Contributions	*4*	**508**	1,937
Benefits paid or payable	*5*	**(30,472)**	(26,560)
Payments to and on account of leavers	*6*	**(9,972)**	(3,724)
Other payments	*7*	**(353)**	(9)
Administrative expenses	*8*	**(969)**	(826)
		(41,766)	(31,119)
Net withdrawals from dealings with members		**(41,258)**	(29,182)
RETURNS ON INVESTMENTS			
Investment income	*10*	**33,430**	30,408
Change in market value of investments	*12*	**(46,465)**	26,864
Investment management expenses	*11*	**(2,788)**	(1,404)
Net (loss)/return on investments		**(15,823)**	55,868
Net (decrease)/increase in the fund		**(57,081)**	26,686
Net Assets of the Scheme at start of year		**1,329,208**	1,302,522
Net Assets of the Scheme at end of year		**1,272,127**	1,329,208

The notes on pages 31 to 51 form part of these financial statements.

Financial Statements (continued)

Statement of Net Assets (available for benefits) as at 30 September 2021

	Notes	2021 £000	2020 £000
Investment assets:			
Bonds	12	**1,703,386**	1,571,284
Pooled investment vehicles	12	**515,356**	546,354
Derivatives	12	**29,171**	13,117
Amounts receivable under Reverse Repurchase Agreements	12	**123,294**	123,937
SPV Asset	12	**33,400**	34,100
AVC investments	12	**4,389**	4,131
Investment debtor	12	**3**	4,498
Cash deposits	12	**4,738**	4,170
Other investment balances	12	**8,770**	7,827
		2,422,507	2,309,418
Investment liabilities:			
Short-sold bonds	12	**(121,812)**	-
Derivatives	12	**(33,507)**	(27,635)
Amounts payable under Repurchase Agreements	12	**(998,478)**	(956,233)
		(1,153,797)	(983,868)
Total net investments		**1,268,710**	1,325,550
Current assets	13	**4,507**	5,501
Current liabilities	14	**(1,090)**	(1,843)
Total Net Assets (available for benefits) of the Scheme		**1,272,127**	1,329,208

The notes on pages 31 to 51 form part of these financial statements.

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

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

S Girvin

Stella Girvin, Chair of Trustees

G. Malpas

Graham Malpas, Trustee Director

29th March 2022

Section 5 – Notes to the Financial Statements

Notes to the financial statements for the year ended 30 September 2021

1 BASIS OF PREPARATION

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

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

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

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

3 ACCOUNTING POLICIES

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

3.1 Contributions

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

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

3.2 Additional Voluntary Contributions (AVCs)

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

3.3 Benefits

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

Notes to the financial statements for the year ended 30 September 2021 (continued)

3 ACCOUNTING POLICIES (CONTINUED)

3.4 Transfers to other Schemes

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

3.5 Administrative and other expenses

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

3.6 Investment income

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

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

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

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

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

3.7 Investments

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

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

Investments are included at fair value.

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

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

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

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

Notes to the financial statements for the year ended 30 September 2021 (continued)

3 ACCOUNTING POLICIES (CONTINUED)

3.7 Investments (continued)

Derivatives are stated at fair value.

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

The Scheme's Special Purpose Vehicle (SPV) is valued at an appropriate fair value based on the discounted guaranteed cash flows, taking into account any changes to anticipated returns on investments, the gilt yield, the risk premium and CPI. Details of the SPV are given in note 12.10 to the financial statements. The methodology of valuing the SPV has been proposed by XPS (2020: Mercer) on behalf of the Trustee, and is consistent with the prior year. Cashflows are payable by the SPV to the Scheme on an annual basis and recognised as an investment sale due the holding being an amortised asset.

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

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

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

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

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

Notes to the financial statements for the year ended 30 September 2021 (continued)

3 ACCOUNTING POLICIES (CONTINUED)

3.7 Investments (continued)

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

3.8 Presentation Currency

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

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

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

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

There are no other key sources of estimation uncertainty.

4 CONTRIBUTIONS

	Total 2021	Total 2020
	£000	£000
Deficit funding	**188**	750
Employer additional contributions re expenses	**320**	1,187
	508	1,937

Under the Schedule of Contributions signed in May 2021, the Scheme's deficit has been eliminated from 31 December 2020 so there are no more deficit reduction contributions due to the Scheme from this date. Prior to this, the Scheme was due £750,000 per annum payable in monthly instalments from 1 October 2020 to 31 December 2020.

Under the Schedule of Contributions signed in May 2021, the Scheme is no longer due contributions from the Sponsoring Employer to cover the cost of Administration and Management expenses. Prior to this, the Scheme was due £1,280,000 per annum payable in monthly instalments to the calendar year ended 31 December 2020. This amount was determined by the Trustee and Employer as allowable per the Schedule of Contributions, but was not included within the Schedule of Contributions. Prior to this, the Scheme was due £1,000,000 per annum payable in monthly instalments to the calendar year ended 31 December 2019.

Notes to the financial statements for the year ended 30 September 2021 (continued)

5 BENEFITS PAID OR PAYABLE

	Total 2021 £000	Total 2020 £000
Pensions payable	24,518	22,891
Commutations of pensions and lump sum retirement benefits	5,468	3,668
Lump sum death benefits	486	1
	30,472	26,560

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Total 2021 £000	Total 2020 £000
Individual transfers to other schemes	9,972	3,724

7 OTHER PAYMENTS

	Total 2021 £000	Total 2020 £000
Irrecoverable VAT	353	9

The principal employer reclaims VAT on behalf of the Scheme. Irrecoverable VAT arises due to the employer being restricted in the amount of VAT it can reclaim.

8 ADMINISTRATIVE EXPENSES

	Total 2021 £000	Total 2020 £000
Administration and processing	551	528
Actuarial and consulting fees	390	272
Audit Fee	28	26
	969	826

In accordance with the Schedules of Contributions, the employer directly met the PPF levies in 2020 and 2021.

Notes to the financial statements for the year ended 30 September 2021 (continued)

9 TAX

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

10 INVESTMENT INCOME

	Total 2021	Total 2020
	£000	£000
Income from pooled investment vehicles	**5,814**	7,126
Income from bonds	**29,852**	28,296
Interest on cash deposits	**(9)**	10
Bank interest	**6**	8
Annuity income	**203**	193
Interest payable on swaps or repurchase agreements	**(2,436)**	(5,225)
	33,430	30,408

11 INVESTMENT MANAGEMENT EXPENSES

	Total 2021	Total 2020
	£000	£000
Administration, management and custody	**2,788**	1,404

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

Notes to the financial statements for the year ended 30 September 2021 (continued)

12 INVESTMENTS

12.1 INVESTMENT RECONCILIATION

	Opening value	*Purchase cost and derivative payments*	*Sales proceeds and derivative receipts*	*Change in market value*	*Closing value*
	£000	£000	£000	£000	£000
Bonds	**1,571,284**	212,119	(104,896)	(96,933)	**1,581,574**
Pooled investment vehicles	**546,354**	252,344	(307,521)	24,179	**515,356**
Derivatives	**(14,518)**	25,441	(38,141)	22,882	**(4,336)**
SPV asset	**34,100**	-	(3,577)	2,877	**33,400**
AVC investments	**4,131**	1,138	(1,410)	530	**4,389**
	2,141,351	491,042	(455,545)	(46,465)	**2,130,383**
Cash deposits	**4,170**				**4,738**
Net Repurchase agreements	**(832,296)**				**(875,184)**
Investment debtor	**4,498**				**3**
Other investment balances	**7,827**				**8,770**
TOTAL NET INVESTMENTS	**1,325,550**				**1,268,710**

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

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.2 POOLED INVESTMENT VEHICLES (PIV)

The holdings of PIVs are analysed below:

	2021	2020
	£000	£000
Property	**105,728**	99,897
Global Bonds	**270,232**	189,804
Diversified Growth Fund	**-**	117,444
Illiquid Credit	**71,854**	67,802
Private Debt	**60,501**	59,128
Liquidity	**7,041**	12,279
	515,356	546,354

12.3 ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) INVESTMENTS

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

The aggregate amounts of AVC investments are as follows:

	2021	2020
	£000	£000
Utmost Life	**14**	507
Prudential	**263**	311
Zurich	**3**	3
Abbey National	**-**	7
Aviva	**16**	16
Clerical Medical	**1,134**	607
Standard Life	**1,527**	1,436
Aberdeen Asset	**1,432**	1,244
	4,389	4,131

Due to materiality, the DC section investments are included in the above balances and are held with Aberdeen Asset Management with a value of £1,432,000 at September 2021 (2020: £1,244,000).

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.4 DERIVATIVES

Objectives and policies

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

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

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

			2021			2020
	Assets £000	**Liabilities £000**	**Total £000**	Assets £000	Liabilities £000	Total £000
Swaps	**28,003**	**(29,119)**	**(1,116)**	11,951	(26,217)	(14,266)
Forward foreign exchange	**1,168**	**(4,388)**	**(3,220)**	1,166	(1,418)	(252)
	29,171	**(33,507)**	**(4,336)**	13,117	(27,635)	(14,518)

Swaps

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

Nature	**Number of Contracts**	**Notional Principal £000**	**Duration**	**Asset value at year end £000**	**Liability value at year end £000**
Interest rate swap	45	487,580	2022 to 2049	28,003	(29,119)
Total 2021				**28,003**	**(29,119)**
Total 2020				11,951	(26,217)

At 30 September 2021, collateral of £9.3m (2020: £17.7m) was pledged and collateral of £2.2m (2020: nil) was held in relation to outstanding swap contracts. Collateral pledged consisted of £9.3m (2020: £17.7m) of UK Government bonds. Collateral held consisted of £2.2m (2020: nil) of cash and nil (2020: nil) of UK Government bonds.

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.4 DERIVATIVES (CONTINUED)

Forward Foreign Exchange (FX)

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

Nature	Currency Bought 000	Currency Sold 000	Settlement Date	Asset value at year end £000	Liability value at year end £000
Buy GBP sold EURO	£27,552	(€32,142)	Oct 21	-	(88)
Buy GBP sold USD	£205,299	($282,620)	Oct 21	-	(4,300)
Buy USD sold GBP	$48,336	(£35,844)	Oct 21	4	-
Other	£1,164	-	Jan 22	1,164	-
Total 2021				**1,168**	**(4,388)**
Total 2020				1,166	(1,418)

12.5 CONCENTRATION OF INVESTMENTS

The table below provides an overview of the Scheme's pooled investments that represented more than 5% of the total invested assets as at 30 September 2021.

	2021		2020	
	£000	**% of net assets**	£000	% of net assets
Insight High Grade ABS Fund	**229,368**	**18.0**	152,075	11.4
M&G Illiquid Credit Opportunities Fund	**71,854**	**5.6**	67,802	5.1

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.6 INVESTMENT TRANSACTION COSTS

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

12.7 REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

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

	2021	2020
	£000	£000
Contracts held under repurchase agreements	**(998,478)**	(956,233)
Contracts held under reverse repurchase agreements	**123,294**	123,937
	(875,184)	(832,296)

At 30 September 2021, collateral of £14.2m (2020: £5.8m) was pledged in relation to outstanding repurchase agreements, and collateral of £3.3m (2020: £3.0m) was held in relation to outstanding repurchase agreements. All of this collateral was in UK Government bonds.

12.8 CASH AND OTHER NET INVESTMENT BALANCES

	2021	2020
Cash	**£000**	£000
Cash Deposits – Sterling	**4,504**	4,300
Cash Collateral – Overseas	**234**	(130)
	4,738	4,170

	2021	2020
Investment debtor	**£000**	£000
Pending transactions	**3**	4,498

	2021	2020
Other investment balances	**£000**	£000
Accrued investment income	**8,770**	7,827

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.9 INVESTMENTS FAIR VALUE HIERARCHY

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

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the assessment date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability.

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

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

As at 30 September 2020 (reclassified)	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Bonds	-	1,571,284	-	1,571,284
Pooled investment vehicles	12,278	407,146	126,930	546,354
Derivatives	(255)	(14,263)	-	(14,518)
SPV asset	-	-	34,100	34,100
AVC investments	-	3,897	234	4,131
Cash	4,170	-	-	4,170
Repurchase agreements	-	(832,296)	-	(832,296)
Investment debtor	4,498	-	-	4,498
Other investment balances	7,827	-		7,827
	28,518	1,135,768	161,124	1,325,550

Repurchase agreements being level 2 based on underlying instruments exchanged.

Bonds, repurchase agreements and derivatives reflect the net position of the asset and liability which are disclosed on page 30.

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.10 SPV ASSET

	2021	2020
	£000	£000
SPV asset	33,400	34,100

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

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

The valuations as at 30 September 2020 and 30 September 2021 are for the guaranteed cash flows element of the SPV valuation only.

12.11 INVESTMENT RISKS

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

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

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

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

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

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

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.11 INVESTMENT RISKS (CONTINUED)

Market risk

Currency risk

The Scheme is subject to direct currency risk where assets denominated in overseas currencies are held in segregated mandates. The Trustee has opted to hedge all the overseas currency exposure in the segregated mandates back to Sterling; direct currency exposure at the year-end was implicitly 0.0% (2020: 0.0%).

During the year, the Scheme had exposure to indirect currency risk through its holdings in two Diversified Growth funds, two Secured Finance funds, and the High-Grade ABS Fund. The Diversified Growth funds consisted of underlying investments across a range of asset class and regions (and therefore foreign currencies) which exposes the Scheme to indirect currency risk. These funds were disinvested during the year.

The Secured Finance and High-Grade ABS funds consist of underlying investments in debt and debt related securities, loan investments and structured financial instruments which may be issued world-wide, denominated in any currency and may or may not be listed on recognised exchanges and markets. The funds are Sterling priced, however the managers may use underlying currency exposures as part of their investment strategy.

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

Interest rate risk

The Scheme is subject to direct interest rate risk where the Scheme's investments are held in government bonds, repurchase agreements, interest rate and bond derivatives and cash, as segregated investments. In the case of the Buy and Maintain Credit funds, the interest rate exposure that these funds introduce is taken by the respective investment managers as part of their investment strategies to add value.

The Trustee has set a benchmark for total investment in liability hedging assets of 45.0% (including the High-Grade ABS) (2020: 35.0%) of the total investment portfolio, as part of its liability driven investment ("LDI") strategy. Under this strategy, if interest rates fall, all else being equal, the value of these investments should rise to help match the increase in the value placed on the liabilities arising from a fall in the discount rate (which is derived from market interest rates). Similarly, if interest rates rise, all else being equal, these investments should fall in value, as should the value placed on the liabilities because of an increase in the discount rate.

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.11 INVESTMENT RISKS (CONTINUED)

Interest rate risk (continued)

At the year end, the liability hedging portfolio, managed by Insight Investment Management ("Insight"), represented c.44.0% of the total investment portfolio (2020: 40.8%). As at year end 2021, the hedge ratio of the Scheme's inflation linked liabilities on the Trustee's liability hedging basis (gilts + 0.5% p.a.) was c.96.8% (2020: c.90.0% on gilts + 0.5% p.a.) and therefore broadly in line with the Trustee's target of 97%. The hedge ratio of the Scheme's fixed liabilities on the Trustee's liability hedging basis (gilts + 0.5% p.a.) was c.96.2% (2020: c.89.0% on gilts + 0.5% p.a.) and therefore broadly in line with the Trustee's target of 97%..The interest rate sensitivity within the Royal London Asset Management ("RLAM") Buy & Maintain credit portfolio is taken into account by Insight in the hedging arrangements.

The Scheme also had indirect exposure to interest rate risk over the year through investments in Diversified Growth Funds, Long Lease Property, Secured Finance and High-Grade ABS funds. The Long Lease Property funds may be subject to indirect interest rate risk where the investment manager uses a discount cashflow methodology for valuing the underlying properties.

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

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking assets which included two Diversified Growth funds, Long Lease property, Secured Finance and High-Grade ABS through underlying investments in pooled investment vehicles held over the reporting period.

The Scheme has set a target asset allocation of 25.0% of investments being held in return seeking investments. The High-Grade ABS and Buy & Maintain Credit holdings are not considered by the Trustee to be part of the return seeking portfolio although they do exhibit some return seeking characteristics. As such, details on these funds is included in the Credit Risk section alongside the Secured Finance and Long Lease Property mandates.

The Trustee manages the Scheme's exposure to overall price movements by constructing a diverse portfolio of investments across various markets and asset classes. At the year end, the Scheme's return seeking assets represented c.22.7% of total assets (2020: 29.7%) broadly in line with the Trustee's strategic target asset allocation.

Credit risk

The Scheme is subject to direct credit risk because the Scheme invests in bonds, over-the-counter ("OTC") derivatives, has cash balances and enters into repurchase agreements through its segregated investments. The Scheme also invests in pooled investment vehicles which may invest in sovereign government bonds and corporate bonds.

As at year end, the Scheme had exposure to investment grade bonds, related derivatives and cash which amounted to c.£1,591.7m (2020: c.£1,522.0m) and c.£4.3m of non-investment grade corporate bonds (2020: c.£4.0m) in segregated vehicles. The Scheme is directly exposed to credit risk arising from pooled investment vehicles and is indirectly exposed to credit risks arising on the underlying investments held by these pooled investment vehicles.

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.11 INVESTMENT RISKS (CONTINUED)

Credit risk (continued)

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

	2021	2020
	£000	£000
Unit Linked Insurance Contracts	**50,576**	159,859
Qualifying Investor Alternative Investment Fund	**112,719**	105,531
Authorised Unit Trusts	**55,152**	57,483
Open Ended Investment Company	**236,408**	164,353
Shares of Limited Liability Partnerships	**60,501**	59,128
	515,356	546,354

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

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

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

The Trustee carries out due diligence checks on the appointment of new pooled investment managers and, on an ongoing basis, monitors any changes to the operating environment of the pooled manager.

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

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.11 INVESTMENT RISKS (CONTINUED)

Credit risk (continued)

Indirect credit risk also arises in respect of the Scheme's allocation to Secured Finance, High-Grade ABS and Long Lease property as a high proportion of the value of the underlying investments held within the pooled funds relate to debt or contractual obligations. The Scheme's allocation to Long Lease property has indirect credit risk in relation to the rental income whose payment is subject to the solvency of the leaseholders. The investment managers are responsible for controlling this credit risk by monitoring the credit quality of tenants.

The total value of pooled investment vehicles at year end exposed to indirect credit risk was c£508.4m (2020: c£534.6m).

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

Government bonds

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

Corporate bonds

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

Non-investment grade bonds

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

Cash balances

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

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.11 INVESTMENT RISKS (CONTINUED)

Derivatives

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

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

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

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

Repurchase agreements

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

Notes to the financial statements for the year ended 30 September 2021 (continued)

12.11 INVESTMENT RISKS (CONTINUED)

DC Section

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

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

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

Credit & Market Risk

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

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

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

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

Source: Aberdeen Standard.

Notes to the financial statements for the year ended 30 September 2021 (continued)

13 CURRENT ASSETS

	Total 2021 £000	Total 2020 £000
Balance at bank	**2,869**	3,847
Due from employer in respect of VAT	**35**	142
Payroll paid in advance	**1,603**	1,512
	4,507	5,501

14 CURRENT LIABILITIES

	Total 2021 £000	Total 2020 £000
Administrative expenses	**739**	817
PAYE due to HMRC	**43**	269
Benefits payable	**308**	640
Due to employer	**-**	117
	1,090	1,843

15 RELATED PARTY TRANSACTIONS

Two of the Trustee Directors receive a pension from the Scheme (2020: two).

During the year Trustees were paid £93,796 (2020: £102,873) for their services.

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

16 CONTINGENCIES AND COMMITMENTS

In the opinion of the Trustee, the Scheme had no contingent liabilities at 30 September 2021 (2020: nil), except as disclosed in Note 18.

Notes to the financial statements for the year ended 30 September 2021 (continued)

17 EMPLOYER RELATED INVESTMENTS

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

The Trustee reviews the Scheme's allocation to ERI on an on-going basis and are satisfied that the proportion of the Scheme's assets in ERI did not exceed 5% of the market value of the Scheme's assets as at 30 September 2021, and the Scheme therefore complies with legislative requirements. This will continue to be monitored annually. Furthermore, the Trustee has agreed with the relevant investment managers with whom segregated mandates are held to restrict ERI to zero.

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

18 GMP EQUALISATION

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

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

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

Once the judgements on further related cases have been published (including the ruling on de minimis) and further issues, for example, the tax treatment of any additional benefits granted have been resolved, then the Trustee (and their advisers) and the Employer (and their advisers) will be able to agree on a way forward in terms of the implementation of the agreed approach which will include the assessment of the impact of the approach on the Scheme which will be reflected in future years' accounts. It is not possible to reliably estimate the value of any such adjustments at this point in time.

19 SUBSEQUENT EVENTS

The Trustee disinvested from M&G Secured Income Property Fund with a redemption of c. £50m invested in Insight during November 2021 and LGIM LPI Property Fund (which comprised the allocation to HLV Property) with a redemption of c £52m invested in Insight during December 2021.

Post year-end, conflict between Ukraine and Russia is impacting the global market, following assessment on the Scheme's investment portfolio, no direct exposure to the conflict has been identified up to and including the date of signing. The Trustees will continue to monitor the situation and the impact on the Scheme.

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

Section 6 – Independent Auditors' Statement about Contributions

We have examined the summary of contributions for the Travis Perkins Pension & Dependants' Benefit Scheme for the Scheme year ended 30 September 2021.

Opinion

In our opinion contributions for the Scheme year ended 30 September 2021 as reported in the Summary of Contributions, and payable under the Schedules of Contributions, have in all material respects been paid from 1 October 2020 to 17 January 2021 at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 21 December 2018 and from 18 January 2021 to 3 May 2021 in accordance with the Schedule of Contributions certified by the Scheme Actuary on 18 January 2021 and subsequently from 4 May 2021 to 30 September 2021 in accordance with the Schedule of Contributions certified by the Scheme Actuary on 4 May 2021.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions on page 53 have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustee and the auditor

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

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

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
Date: 29 March 2022

Section 7 – Trustee's Summary of Contributions

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedules of Contributions certified by the Actuary on 21 December 2018, 18 January 2021 and 4 May 2021 in respect of the Scheme year ended 30 September 2021. The Scheme auditor reports on these contributions payable under the Schedules in the Auditors' Statement about Contributions.

Summary of Contributions payable in the year

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

	£000
Required by the schedules of contributions	
Deficit funding	**188**
Employer additional contributions re expenses	**320**
Total (as per Fund Account)	**508**

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

Stella Girvin, Chair of Trustees

Graham Malpas, Trustee Director

29th March 2022

Section 8 – Actuarial Statement & Certificate

Adequacy of contributions

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

Consistency with statement of funding principles

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

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

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

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

Section 9 – Implementation Statement

Statement of Compliance with the Stewardship Policy of Travis Perkins Pension & Dependants' Benefit Scheme for the year ending 30 September 2021

Purpose

This Implementation statement provides information on how, and the extent to which, the Trustee of the Travis Perkins Pension & Dependents' Benefit Scheme (the "Scheme") has followed the policies documented in their Statement of Investment Principles ("SIP") during the year ending 30 September 2021 (the "reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year. This statement relates to the Defined Benefit ("DB") Section, and the Defined Contribution ("DC") section of the Scheme.

Statement of Investment Principles

During 2019, new regulatory requirements were introduced which required the Trustees of all schemes to explain how and the extent to which they account for stewardship and financially material considerations including, but not limited to, environmental, social and governance (ESG) issues.

These requirements include policies in relation to:

- The exercise of rights (including voting rights) attaching to investments and undertaking engagement activities in respect of the investments;
- Incentives to align investment managers' investment strategy and decisions with the Trustee's policies;
- Incentives for the investment manager to make decisions based on assessments about medium to long-term financial and nonfinancial performance of an issuer of debt or equity, and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term;
- How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies;
- How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.

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

Investment-related activity during the reporting year

Governance changes

During the reporting year, XPS Pensions Group ("XPS") were appointed as Investment Advisers for both the DB and DC section of the Scheme. Following the appointment, the Trustee, with the assistance of their Investment Adviser, undertook a review of their investment strategy relating to both the DB and DC section of the Scheme. In relation to the DC Section of the Scheme, the Trustee also undertook a review of their AVC arrangements. At the year end, the Trustee, together with the Investment Adviser, continued to explore potential changes to both the DB and DC sections of the Scheme.

During the reporting year, the Trustee agreed their objectives for XPS in line with the CMA Order which required the Trustee to set objectives for existing and new investment consultant appointments.

Implementation Statement (continued)

Strategic asset allocation changes

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

During November 2020, the Trustee redeemed their full positions in the multi asset holdings, which included the Abrdn Global Absolute Return Strategies Fund and Insight Broad Opportunities Fund as a result of funding level improvements in relation to the pre-agreed de-risking triggers in place. The proceeds from the disinvestments were invested into the Insight Segregated LDI portfolio and the Royal London Asset Management ("RLAM") Segregated Buy & Maintain Credit portfolio in line with the target asset allocations.

Trustee training

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

- Environmental, Social and Governance ("ESG") and climate change considerations.
- Taskforce for Climate Related Financial Disclosures (TCFD) Framework.
- Bulk Annuity Market.

Adherence to the Trustee's policies

The Trustee has various investment policies outlined in the SIP included in the tables below; the tables also provide commentary on how and the extent to which the various policies were followed during the reporting year.

Policy	How the policy was followed
Scheme governance The Trustee's policy is to be accountable for the investment of the Scheme's assets (although decision making in some areas is delegated to the ISC). The Trustee and ISC decide what to delegate after considering whether they have the necessary skills, knowledge and professional support to make informed and effective decisions. The Trustee has appointed a firm of professional advisors to provide relevant investment advice to the Trustee and ISC.	For both the DB and DC sections, the ISC and Trustee continue to work closely to ensure their policies are met. This includes obtaining written advice from their investment advisors where required. The investment managers are responsible for the day-to-day management of the Scheme's assets in accordance with the mandates agreed with the ISC. The Trustee is satisfied that they are following this policy in full.

Implementation Statement (continued)

Investment Objectives The Trustee's primary investment objective is to invest the Scheme's DB assets, within an agreed risk profile, in such a manner that members' benefit entitlements can be paid as and when they fall due. The Trustee also has the objective for the Scheme's investment managers to meet their performance target without operating outside their target range of tracking error. Within the DC section, the Trustee encourages members to seek independent financial advice from an appropriate party in determining the most suitable investment strategy for their individual circumstances.	The Trustee regards the funds held in the DB Section to be appropriate by incorporating assets of appropriate income and liquidity to meet the Trustee's overall investment objectives and to aim to ensure members' benefits can be paid as they fall due. Within the DC section, the Trustee encourages members to seek independent financial advice from an appropriate party in determining the most suitable investment strategy for their individual circumstances. There were no changes to the Trustee's investment strategy in respect of the DC Section and the Trustee remained satisfied they followed the policy in full by offering a selection of funds that invest in several assets classes. The Trustee is satisfied that they are following this policy in full.
Risk and Return The Trustee's policy in relation to the DB section is to invest in a diversified portfolio of return seeking assets and liability matching assets. Within the DC Section of the Scheme the Trustee has considered the specific risks outlined in section 8.2 of the SIP.	The funds held by the DB Section incorporated both return seeking assets (e.g. Long Lease Property and Secured Finance) and liability matching assets (including Liability Driven Investments, Buy & Maintain Credit and Asset Backed Securities). The Scheme maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions. Furthermore, the DC section also offers a range of investment funds with different risk and return characteristics. The Trustee is satisfied that they are following this policy in full.
Diversification of risks The Trustee and the ISC seek to spread risks across a range of different sources. The Trustee and ICS consider the following risks, which they consider as financially material to the Scheme over its anticipated lifetime. - Interest rate risk - Inflation risk - Credit risk - Currency risk - Equity market risk - Property market risk - Longevity - Environmental, Social and Governance (ESG) risk and climate change risk.	The Trustee receives strategic investment advice from the Investment Adviser that includes risk modelling and quantification (e.g. Value at Risk) whenever strategic changes are considered. The Trustee considers both quantitative and qualitative measures for these risks when deciding on strategic asset allocation, deciding on investment policies and the choice of funds, fund managers and asset classes. The Investment Manager's role and approach to managing risk is part of the ongoing monitoring of such managers, particularly when selecting a new Investment Manager during any investment strategy review actions. The Trustee is satisfied that they are following this policy in full.

Implementation Statement (continued)

<table>
<tr><td>Investment Manager appointment, arrangements, engagement and monitoring
The Trustee policy is in relation to:
- Aligning manager appointments with investment strategy
- Evaluating investment manager performance</td><td>The Trustee receives quarterly reporting from their Investment Adviser, which includes the asset allocation and compares this with the desired long term strategic allocation. The quarterly report also includes an update on the markets over the period and any market risks on the horizon are highlighted as part of XPS' presentation at the ISC meeting when appropriate. This quarterly monitoring reports produced by XPS provide the Trustee with the underlying asset class/sector exposures to monitor any unintended risk being taken.
The Trustee review the DC and AVC providers' proposition, including the remuneration they receive for their services, on an annual basis as part of the "Value for Money Assessment"
The Trustee is satisfied that they are following this policy in full.</td></tr>
<tr><td>Portfolio Turnover Costs
The Trustee does not actively monitor the portfolio turnover costs of the main DB assets. The ISC will continue to monitor industry improvements concerning the reporting of portfolio turnover costs.</td><td>Investment manager performance is reported net of transaction costs and therefore managers are incentivised to keep portfolio turnover costs to a minimum.
Manager's remuneration is taken into consideration during manager selection exercises, to ensure the Scheme is not paying excessive fees that would detract from the Scheme's return.
The Trustee is satisfied that they are following this policy in full.</td></tr>
<tr><td>Manager Turnover
The Trustee is a long term investor and do not look to change investment arrangements on a frequent basis. The ISC will retain an investment manager unless:
– There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
– The manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate.</td><td>During the reporting year, the Scheme's investments in Insight Broad Opportunities Fund and ASI Global Absolute Return Strategies Fund were divested from as a de-risking step to reduce both the risk and the expected return to a level more aligned to the strength of the funding position. The proceeds from these disinvestments were invested into the Insight Segregated LDI portfolio and the RLAM Buy & Maintain Credit portfolio.
The Trustee is satisfied that they are following this policy in full.</td></tr>
</table>

Implementation Statement (continued)

Responsible Investment and Corporate Governance The Trustee's policy is for both the Trustees and ISC to consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers.	For both the DB and DC sections, during the reporting year, the ISC reviewed certain aspects of their active managers ESG and stewardship policies. The ISC agreed to review their policies at future meetings. There were no ESG rating downgrades within the mandates the Scheme invests in. The Trustee also received ESG training in July 2020 and keep their policies under regular review with the SIP subject to review at least triennially. When implementing a new manager, the Trustee considers the ESG rating of the manager. There were no new manager appointments over the year. In any future investment strategy reviews, the Trustee will take further ESG, climate change and sustainability considerations in to account. The Trustee is satisfied that they are following this policy in full.
Non-financial matters The Trustee's policy is to act in the best interests of the beneficiaries of the Scheme when selecting, retaining or realising investments. It has neither sought nor taken into account the beneficiaries' views on risks including (but not limited to) ethical, social and environmental issues.	For both the DB and DC sections, the Trustee seeks professional advice in relation to the management of the assets of the Scheme to ensure any decisions it makes are in the best interests of Scheme beneficiaries. The Trustee is satisfied that they are following this policy in full.
Voting rights The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers.	For both the DB and DC sections, the investment managers are expected to vote in accordance with their internal voting policies. The Trustee is satisfied that they are following this policy in full.

Implementation Statement (continued)

Stewardship/relationship with managers The Trustee's policy is to encourage investment managers 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 investment managers are expected to engage with management of the underlying issuers of debt or equity, on the basis that such engagement can be expected to help Investment Managers mitigate risk and improve long term returns. Where appropriate, the Trustee questioned the investment managers attending ISC meetings regarding their engagement with companies and issuers of debt. The Trustee is satisfied that they are following this policy in full.
Kinds of investments to be held (DC Section). Owing to the DC Section receiving no further contributions and being closed to new members, the DC Section doesn't have a default investment strategy.	A small range of multi-asset self-select funds managed by Abdrn and Standard Life are made available which the Trustee believes is appropriate for members. No changes were made to the Scheme's investments over the year and the Trustee believes the range of funds remains appropriate. The Trustee is satisfied that they are following this policy in full.
Meeting the expected level of investment return (DC Section). The funds are expected to achieve returns in excess of inflation over the long term and preserve members' purchasing power for these assets.	The Trustee reviews absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the manager's stated performance target (over the relevant time-period). The Trustee is satisfied that they followed the policy in full over the reporting period.
Realisation of investments (DC Section). The Trustee recognises that assets may need to be realised to meet the members obligations, and so made all assets ready realisable to members over the period.	The DC Scheme's assets are managed in both pooled, daily dealt funds. The Trustee acknowledges that investments in these funds can be realised at short notice and therefore has no concerns around the liquidity of these investments. The Trustee is satisfied that it has followed the policy to a reasonable extent over the reporting period.

Implementation Statement (continued)

Voting activity

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

The voting activity of the Scheme over the reporting year is in relation to the funds both the DB and DC Sections were invested into throughout the period. The main asset class where the investment managers will have voting rights is Equities, as it represents the equity ownership and shareholder's stake within the underlying business. With regards to the DB section, investments in Equities will form part of the strategy for the Multi Asset funds in which the Scheme invests. There are likely to be no voting rights for credit-based assets or funds that invest into them, such as the underlying securities held within the segregated accounts. The DB section's allocation to Property and Secured Finance will also not have voting rights due to the nature of the underlying holdings. With regards to the DC section, all of the funds are Multi Asset-like funds which contain Equities.

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

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

DB Section

Manager	Abrdn
Voting activity date range:	01/10/2020 –30/11/2020
Fund name	Global Absolute Return Strategies
Number of company meetings the manager was eligible to vote at over the year	20
Number of resolutions the manager was eligible to vote on over the year	194
Percentage of resolutions the manager voted on	94.9%
Percentage of resolutions the manager abstained from	0.0%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	98.4%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	1.6%
Percentage of resolutions voted contrary to the recommendation of the proxy adviser	4.9%
Manager's policy on consulting with clients before voting Abrdn will consult with clients who have a segregated mandate in place.	
How has the manager made use of the proxy voting services Abrdn utilise the services of ISS for all our voting requirements.	
What process manager follows for determining "most significant" votes Abrdn view all votes as significant and vote all shares globally for which they have voting authority, therefore they are unable to respond directly to this part of the request. Instead Abrdn believe they go beyond guidelines and endeavour	

Implementation Statement (continued)

to disclose all their voting decisions for all of their active and passive equity holdings. They provide full transparency of their voting activity on their publicly available website and fund specific voting reports on request. Each individual scheme will have their own views about which are the most significant votes - influenced by their sponsor, industry, membership and many other factors.

Abrdn GARS Fund votes*	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Maxim Integrated Products, Inc.	Alstom SA	Mediobanca SpA	Newcrest Mining Ltd.	iShares IV plc - iShares China CNY Bond UCITS ETF
Date of Vote	08/10/2020	29/10/2020	28/10/2020	11/11/2020	13/11/2020
Summary of the resolution	Advisory Vote on Golden Parachutes	Elect Caisse de Depot et Placement du Quebec as Director	Elect Supervisory Board Members	Elect Sally-Anne Layman as Director	Re-elect Ros O'Shea as Director
How the manager voted	With management	With management	Against (no manager recommendation)	With management	With management
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information
Implications of the outcome	The terms are in line with the existing Maxim arrangements, which Abrdn have supported.	Abrdn were content to support this resolution as, after the acquisition of Bombardier, Caisse de Depot et Placement du Quebec will hold a substantial portion of the combined company.	Shareholders can support only one slate and Abrdn were a proponent of the Assogestioni slate.	Abrdn were supportive of this election.	Abrdn were supportive of this re-election.
Criteria on which the vote is considered "significant"	High profile vote	High profile vote	High profile vote	High profile vote	High profile vote

Manager	Insight
Voting activity date range:	01/10/2020 –30/11/2020
Fund name	Broad Opportunities Fund
Number of company meetings the manager was eligible to vote at over the year	
Number of resolutions the manager was eligible to vote on over the year	
Percentage of resolutions the manager voted on	

Implementation Statement (continued)

Percentage of resolutions the manager abstained from	Please see 'What process manager follows for determining "most significant" votes' section below.
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	
Percentage of resolutions voted contrary to the recommendation of the proxy adviser	
Manager's policy on consulting with clients before voting Insight does not consult client prior to voting on resolutions. However, Insight is committed to voting all proxies where it is deemed appropriate and responsible to do so. Insight takes its responsibility to vote very seriously and votes in the best interest of clients.	
How has the manager made use of the proxy voting services? Insight would utilise Minerva to analyse resolutions against Insight-specific voting policy templates to determine the direction of the vote, where applicable.	
What process manager follows for determining "most significant" votes? The strategy invests in listed closed-end investment companies with a focus on cash-generative investments in social infrastructure, renewable energy and asset-backed aviation finance. The corporate structure of closed-end investment companies held in the strategy includes an independent board which is responsible for providing an overall oversight function on behalf of all shareholders. This governance framework includes a range of aspects including setting out investment objectives, and on an ongoing basis ensuring that the underlying strategy and portfolio activities within it remain within the agreed framework. This governance framework, that is with an independent board acting on behalf of shareholders, generally limits contentious issues that can arise with other listed entities. As a result, examples of significant votes cast that may be comparable to other listed entities are not applicable to the strategy's exposures.	

DC Section

Voting Policy of Abrdn

Manager's policy on consulting with clients before voting Abrdn will consult with clients who have a segregated mandate in place.
How has the manager made use of the proxy voting services Abrdn utilise the services of ISS for all their voting requirements.
What process manager follows for determining "most significant" votes Abrdn view all votes as significant and vote all shares globally for which they have voting authority unless there are significant voting obstacles such as share blocking. In line with PLSA requirements they identify and record what they deem to be the most significant votes across all their holdings. They have identified five categories of votes they consider as significant and have ordered these based on their view of their importance. This enables them to provide a specified number of votes across a client's portfolio upon request. Members of their Central ESG Investment Function carry out a monthly review to identify and categorise significant votes. These categories and details of the underlying votes captured are as follows: Significant Vote Category 1 ('SV1'): High Profile Votes • Focus on votes which received public and press interest with a focus on their large, active holdings • Focus on votes which reflect significant governance concerns regarding the company • Resolutions proposed by Abrdn Significant Vote Category 2 ('SV2'): Shareholder and Environmental & Social (E&S) Resolutions • Votes on shareholder E&S proposals where they have engaged with the proponent or company on the resolution • Votes on management-presented E&S proposals • Focus on shareholder proposals where they have voted contrary to management recommendations Significant Vote Category 3 ('SV3'): Engagement • Focus on resolutions where they have engaged with the company on a resolution

Implementation Statement (continued)

• Focus on resolutions where post-engagement they voted contrary to our custom policy Significant Vote Category 4 ('SV4'): Corporate Transactions • Focus on selected votes which have a financial impact on the investment with a focus on acquisitions Significant Vote Category 5 ('SV5'): Votes contrary to custom policy • Focus on large active holdings where they have voted contrary to custom policy following analysis.

Manager	Abrdn
Voting activity date range	01/10/2020 – 30/09/2021
Fund name	Aberdeen Standard With Profits
Number of company meetings the manager was eligible to vote at over the year	941
Number of resolutions the manager was eligible to vote on over the year	12,635
Percentage of resolutions the manager voted on	98.6%
Percentage of resolutions the manager abstained from	0.3%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	83.7%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	16.0%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	3.1%

	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Mediobanca SpA	Mediobanca SpA	Mediobanca SpA	Akzo Nobel NV	Credit Suisse Group AG
Date of Vote	28/10/2020	28/10/2020	28/10/2020	22/04/2021	30/04/2021
Summary of the resolution	Slate 1 - (Elect Directors)	Slate 3 - (Elect Supervisory Board Members)	Slate 3 - (Appoint Alternate Internal Statutory Auditor(s) and Approve Auditor's/Auditors' Remuneration)	Approve Remuneration Report (Advisory Vote to Ratify Named Executive Officers' Compensation)	Re-elect Andreas Gottschling as Director (Elect Director)
How the manager voted	Against	Against	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information
Implications of the outcome	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information
Criteria on which the vote is considered "significant"	SV1 'High Profile Votes' votes which reflect significant	SV1 'High Profile Votes' votes which reflect significant	SV1 'High Profile Votes' votes which reflect significant governance	SV1 'High Profile Votes' votes which reflect significant	SV1 'High Profile Votes' votes which reflect significant

Implementation Statement (continued)

	governance concerns regarding the company.	governance concerns regarding the company.	concerns regarding the company.	governance concerns regarding the company.	governance concerns regarding the company.

Manager	Abrdn
Voting activity date range	01/10/2020 – 30/09/2021
Fund name	Aberdeen Standard Managed Pension Fund
Number of company meetings the manager was eligible to vote at over the year	544
Number of resolutions the manager was eligible to vote on over the year	8,507
Percentage of resolutions the manager voted on	99.6%
Percentage of resolutions the manager abstained from	2.0%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	92.3%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	5.7%
Percentage of resolutions voted contrary to the recommendation of the proxy adviser	5.9%

	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Mediobanca SpA	Mediobanca SpA	Mediobanca SpA	Future Plc	Banco Bradesco SA
Date of Vote	28/10/2020	28/10/2020	28/10/2020	10/02/2021	10/03/2021
Summary of the resolution	Slate 1 – (Elect directors)	Slate 3 - (Elect Supervisory Board Members)	Slate 3 - (Appoint Alternate Internal Statutory Auditor(s) and Approve Auditor's/Auditors' Remuneration)	Approve Remuneration Policy	Elect Cristiana Pereira as Fiscal Council Member and Ava Cohn as Alternate Appointed by Preferred Shareholder
How the manager voted	Against	Against	Against	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information
Implications of the outcome	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information
Criteria on which the vote is considered "significant"	SV1 'High Profile Votes' votes which reflect significant governance	SV1 'High Profile Votes' votes which reflect significant governance	SV1 'High Profile Votes' votes which reflect significant governance concerns	SV1 It is Abrdn's strong view that the stability of the senior team at Future plc and	SV1: Abrdn has engaged with Banco Bradesco over several years on the need for

Implementation Statement (continued)

	concerns regarding the company.	concerns regarding the company.	regarding the company.	the CEO in particular is of paramount importance to the long-term prosperity of the group and the prospects for its ongoing success. Abrdn therefore supported the proposed changes.	independent representation on the board. Abrdn had previously appointed Walter Albertoni as a member of the fiscal council and following engagement with management the board invited him to join the board in 2020.

Manager	Abrdn
Voting activity date range	01/10/2020 – 30/09/2021
Fund name	Multi-Asset Fund
Number of company meetings the manager was eligible to vote at over the year	1,267
Number of resolutions the manager was eligible to vote on over the year	18,856
Percentage of resolutions the manager voted on	96.8%
Percentage of resolutions the manager abstained from	0.6%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	89.8%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	7.0%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	Data wasn't provided by manager

	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Frasers Group plc	Just Eat Takeaway.com	The Procter & Gamble Company	MJ Gleeson plc	Moody"s Corporation
Date of Vote	07/10/2020	07/10/2020	13/10/2020	03/12/2020	20/04/2021
Summary of the resolution	Re-elect David Daly as Director	Approve Supplement to the Remuneration Policy of the Management Board in Respect of Matthew Maloney	Elect Director W. James McNerney, Jr.	Re-elect Dermot Gleeson as Director	Elect Director Raymond W. McDaniel, Jr.
How the manager voted	For	Against	Against	For	Against
If the vote was against management, did the manager communicate their intent to the	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information

Implementation Statement (continued)

company ahead of the vote?					
Implications of the outcome	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information	Manager did not provide this information
Criteria on which the vote is considered "significant"	Gender Diversity There were only 29 percent women on the board. This falls short of the Abrdn voting policy expectation of 33 percent based on the Hampton-Alexander review. However, the shortfall is sufficiently marginal that they could support.	Abrdn were not supportive of the structure of the Long-Term Incentive and had concerns regarding the termination arrangements for Mr Maloney.	Abrdn had concerns regarding the tenure of this director.	Tenure – Abrdn were comfortable supporting the re-election of this director. He is a founder of the company so naturally has long tenure.	Abrdn had concerns regarding the tenure of this director.

*The manager did not specify the top 5 most significant votes, so XPS has selected the 5 votes above which they deemed significant using their own rationale.

Section 10 – Chair and DC Governance Statement

Chair's Annual Statement Regarding Governance for the Year to 30 September 2021

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 2020 to 30 September 2021.

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).

01.01 COVID-19

The Trustee has maintained its governance of the Scheme during the COVID-19 pandemic. The pandemic has impacted upon the processes, operations, and administration of the Scheme, much as it has our daily lives. For example, many of the teams and individuals involved have been, or continue to be at the time of writing, working from home. The Trustee is though comfortable that the Scheme's functions continued to operate appropriately, and members were suitably supported. However, there were issues with one AVC provider, Prudential, meaning that a some members suffered delays on taking benefits. The Trustees were aware of this and took action. Further detail is included in this Statement. We would like to remind all members, that should you need any assistance or guidance with your Scheme benefits, our administrator is available to assist you via the details included below.

Chair and DC Governance Statement (continued)

Introduction
continued

01.02 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 ex-Wickes members with 'pure' DC benefits which relate to a prior money purchase scheme, their assets 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 s (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).

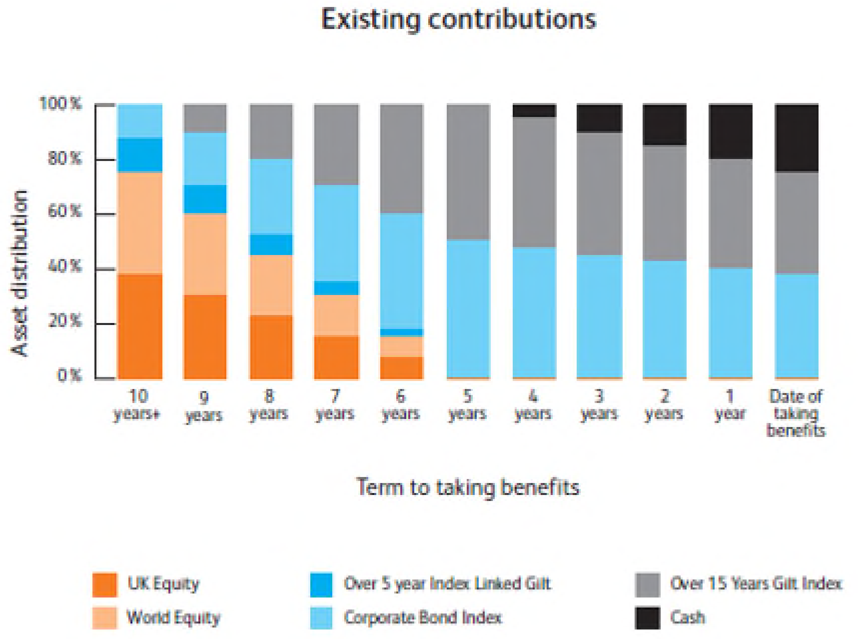
Additional Voluntary Contribution (AVC) benefits:

For those members with AVCs, these are held with multiple providers as listed later in 'Section 03.01 Investment Manager Charges'. There were changes made to the AVC fund range in 2021, which are explained in section '02.02' below.

A default investment strategy was in place in respect of AVC members invested in policies with Utmost Life & Pensions up to July 2021. The policies with Utmost were included in the AVC rationalisation exercise which concluded on 9 July 2021 (see 02.02 below). These policies were consolidated into the Clerical Medical BlackRock Balanced Lifestyle Fund (or other funds if selected by members at that time). The rationalisation project resulted in the BlackRock Balanced Lifestyle Fund becoming a new default arrangement, with the Utmost default being removed.

Chair and DC Governance Statement (continued)

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.



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

A copy of the latest Default Statement of Investment Principles ("SIP"), 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 Subcommittee ("ISC"). The ISC meets throughout the Scheme year to consider the investments.

The Scheme's Default investment strategy is outlined in its Default SIP (in Appendix B).

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

AVC rationalisation

In August 2019 Mercer LLP (as the Trustee's investment advisors) provided the Trustee with advice on how to rationalise the AVC funds made available to members and at the ISC meeting of 11 November 2020, the Trustee conducted its latest AVC and DC investment review. At this meeting, the Trustee agreed that work on the AVC rationalisation would continue as planned.

This rationalisation was concluded on 9 July 2021, and members with savings invested in the following funds were transferred to the Clerical Medical BlackRock Balanced Lifestyle Fund ("the default fund"):

> Utmost Life & Pensions Money Market, Managed and Secure Cash Funds

> The Santander Deposit Fund

> The Prudential Deposit and Discretionary Funds.

The Trustee wrote to affected members to outline the change in advance of the switch, and these members were given the opportunity to select an alternative lifestyle or self-select option provided by Clerical Medical should they wish. Those who did not select an alternative were automatically moved into the default fund.

The Trustee believes these changes offer greater value to members, and further rationalisation will be considered on an ongoing basis.

Chair and DC Governance Statement (continued)

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 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 2021 unless stated otherwise. The funds used within the default are all subject to an OCF of 0.50% and are indicated with # (and shaded in grey).

	OCF (%)	Transaction costs (%)
Fund Name		
DC Funds		
Abrdn Multi-Asset Fund	0.60	0.18
Standard Life Managed Fund	0.52	0.14
Standard Life With-Profits Fund[0]	N/A	N/A
AVC Fund		
Aviva Conventional With-Profits Fund[1]	N/A	N/A
Clerical Medical Halifax Fund	0.50	0.00
Clerical Medical Cautious Fund	0.50	0.15
Clerical Medical Balanced Fund	0.50	0.27
Clerical Medical Adventurous Fund	0.50	0.22
Clerical Medical UK Equity Income (Acc) Fund	0.50	0.25

Chair and DC Governance Statement (continued)

Charges and transaction costs
continued

Clerical Medical Smaller Companies Fund	0.50	0.10
Clerical Medical UK Growth Fund	0.50	0.28
Clerical Medical European Fund	0.50	0.16
Clerical Medical Far Eastern Fund	0.50	0.50
Clerical Medical Japanese Fund	0.50	0.00
Clerical Medical North American Fund	0.50	0.00
Clerical Medical International Growth Fund	0.50	0.16
Clerical Medical Retirement Protect Fund	0.50	0.11
Clerical Medical UK Index-Linked Gilts Fund	0.50	0.08
Clerical Medical Gilt & Fixed Interest Fund	0.50	0.07
Clerical Medical UK Property Fund	0.50	0.00
Clerical Medical Ethical Fund	0.50	0.02
Clerical Medical Non-Equity Fund	0.50	0.08
Clerical Medical With Profit Funds	1.00	0.33
Clerical Medical Cash Fund*	0.50	0.00
Clerical Medical Blackrock Over 15 Year Gilt Fund*	0.50	(0.04)
Clerical Medical Blackrock World Ex UK Fund*	0.50	(0.01)
Clerical Medical Blackrock Over 5 Year ILG Fund*	0.50	(0.01)
Clerical Medical Blackrock UK Equity Fund*	0.50	(0.03)
Clerical Medical Blackrock Corporate Bond Fund*	0.50	0.00
Prudential Deposit Fund[1,2]	N/A	N/A
Prudential Discretionary Fund[2]	0.77	0.10
Prudential With-Profits Cash Accumulation Fund[5]	1.00	N/A
Santander Deposit Fund[3]	N/A	N/A
Utmost Managed Fund[4]	0.75	0.14
Utmost Money Market Fund[4]	0.50	0.00
Utmost Secure Cash Fund[4]	0.50	0.00
Zurich With Profits 90:10 Fund[1]	N/A	N/A

(Source: Abrdn, Aviva, Clerical Medical, Prudential, Santander, Utmost Life & Pensions and Zurich)

[0] There are no explicit costs associated with this fund as deductions are allowed for when final bonus rates are calculated.
[1] There is no explicit costs due to the mechanics of this policy. Instead, fund expenses are considered when determining bonus rates each year.
[2] Information reported is as at 31/03/2021. Funds moved to Clerical Medical Clerical Medical BlackRock Balanced Lifestyle Fund July 2021.
[3] Members invested in the Santander Deposit Fund were solely invested in cash; this was not a unitised fund. Members invested in this policy would receive interest on a daily basis equivalent to 0% p.a. There were no annual costs or charges for this Fund. Funds moved to Clerical Medical BlackRock Balanced Lifestyle Fund July 2021.
[4] Information as at 30/06/2021. Funds moved to Clerical Medical BlackRock Balanced Lifestyle Fund July 2021.
[5] The calendar year 2020

Chair and DC Governance Statement (continued)

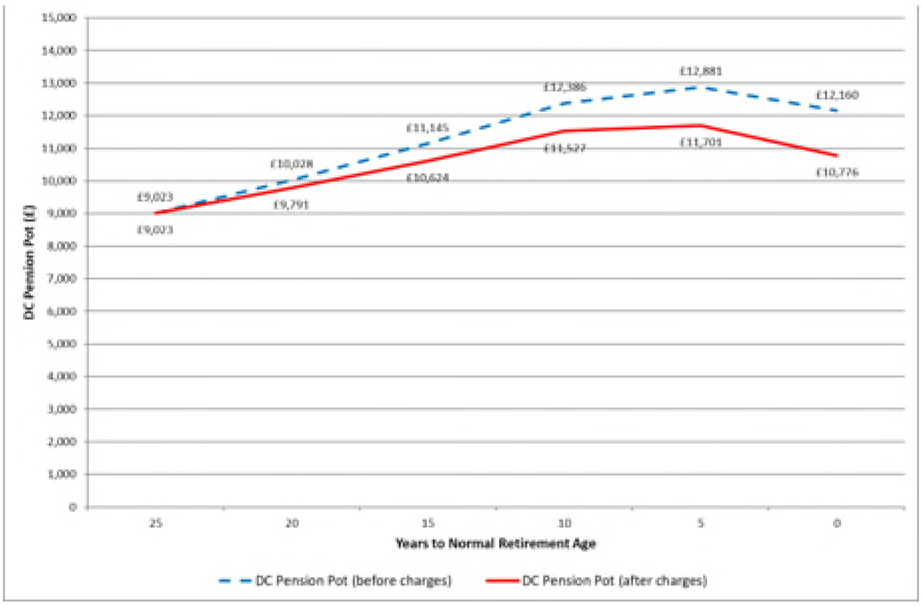
Charges and transaction costs
continued

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 £9,023. We have projected their savings allowing for assumed investment returns. The figures below are in today's money terms.



Chair and DC Governance Statement (continued)

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 net of charges investment returns of 4.19% 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 0.90% at retirement.

> No future contributions are made.

> An average pension pot for a member who is 25 years from retirement of £9,023.

> 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 target for all Scheme activity fell below 95% in the period 1 September 2020 to 30 November 2020 and 1 January 2021 to 31 March 2021. These were assessed by the Trustees at their meetings and for the remainder of the Scheme Year the overall SLA targets were met. The SLA for 'AVCs' and 'DC Specific Activities' were met throughout the Scheme year, aside from issues related to the AVC provider 'Prudential'.

> During the year, a few members were subject to delays on disinvestment of their AVCs at retirement due to administrative delays at Prudential. The Trustee was made aware of this, and from 11 March 2021 the administrator (Hymans Robertson) notified all members requesting information or transactions involving Prudential AVCs of the potential delays with such transactions. At the time of writing, the Trustee continues to monitor the position, and has contacted Prudential making clear its dissatisfaction with the delays and expectation that this matter must be resolved swiftly. The Trustee will continue to work with its administrator and Prudential on this matter and will support any affected members. The Trustee is considering the investments with Prudential as part of its ongoing AVC rationalisation process as explained in this Statement.

> In June and July 2021, the rationalisation project saw 6 AVC funds removed, and members were transferred to Clerical Medical funds. This was overseen by Mercer LLP (as investment advisor) and Hymans Robertson (as Scheme administrator), and all transactions were completed and reported on.

> Considering the annual AAF 01/06 assurance report ('Assurance reports on internal controls of service organisations made available for thirds parties') issued by Hymans Robertson. This report is also considered by the Scheme's auditors annually and any control breaches are investigated where deemed necessary.

> Considering the ongoing suitability of the complaint procedure, to ascertain whether there may be any weaknesses in their processes and controls. All complaints are

Chair and DC Governance Statement (continued)

Core Financial Transactions
continued

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 Hyman's reporting.

The Trustee has concluded that core financial transactions were processed promptly and accurately during the Scheme year, aside from the issues related to Prudential as noted above. The Trustee will keep this conclusion under review on an ongoing basis, and should issues arise or continue arise (as with Prudential) the Trustee will deal with this proactively with the assistance of its providers.

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.

In December 2020 a minor data breach occurred related to one member of the Scheme. The Trustee agreed that the matter was not reportable to the ICO having considered the circumstances surrounding the case, and the processes involved were reviewed to ensure no repeat of this matter.

> **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.

Chair and DC Governance Statement (continued)

Core Financial Transactions
continued

- **The impact of legislation or guidance on the administration of the Scheme:** A post Scheme year example includes the introduction of the Pension Regulator's scams pledge, which was discussed at the meeting held on 4th November 2021.

The Trustee is satisfied with the administration of the Scheme during the year, aside from the issues related to Prudential as noted above. The Trustee is very conscious of the challenges posed by the coronavirus pandemic on our daily lives and working practices including the operation and administration of the Scheme. The Trustee is comfortable that the Scheme remained suitably administered in the period, despite these challenges, with no effect on core financial transactions, aside from the issues related to Prudential.

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 has taken account of statutory guidance when preparing this assessment.

The Trustee considers this each year and commissions an independent annual Value for Members 'VFM' assessment. This year, the report considered the suitability and maintenance of investments, scheme features, communications, governance framework, administration and, trustee knowledge and understanding ("TKU"). Recommendations are provided where perceived improvements could be made, for the Trustee's consideration. The latest VFM assessment was provided to the Trustee in February 2022, covering the Scheme year in this Statement.

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 members for the following reasons:

> **Fund performance:**

- Investment performance of the pure DC funds invested with Standard Life and Abrdn was broadly in-line with benchmarks and provides good value although the one-year performance has been slightly behind benchmark.
- Investment performance of the assets underlying the DC underpin benefits and the 'pure' DC benefits that relate to Protected Rights contributions which could not be reinstated in the State Pension Scheme (i.e. the DB section investments) was ahead of benchmark over both one and three years.
- There is a broad range of AVC funds available. Some have performed above their benchmark whilst others have been behind.

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

> **Several ineffective AVC policies have been rationalised.** In doing so, the Trustee is comfortable that the AVC funds provided by Clerical Medical provide overall greater value to members. The Trustee is considering the Scheme's other DC and AVC investments in the Scheme year commencing 1 October 2021 and expects to report further on this in the next Chair Statement.

> **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. The Trustee has no material concerns regarding these processes, and believes they provide good value, however the Trustee notes the issues related to Prudential as mentioned in this Statement, and continues to work with its providers to minimise the effect on members and will consider whether it should remove Prudential investments as part of the ongoing rationalisation project

Chair and DC Governance Statement (continued)

Value for Members
continued

- **The Trustee undertook an effectiveness assessment during the year**. The outcome of this assessment was discussed at the Trustee meeting of 10th May 2021. In undertaking such an assessment, the Trustee satisfies the Pension Regulator's expectation that Trustee Boards independently assess their collective effectiveness, and the findings were that the Trustee board is overall effective.
- **The Trustee Board is supported by a professional, independent Trustee.** The experience of professional trustees helps strengthen the Scheme's overarching governance structure, which the Trustee considers to be good value.
- **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 will consider further actions in the current scheme year.
- **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 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 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 Class E and the Standard Life Managed Fund are competitive versus the market and members are not charged for the administration services. 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 the 'pure' DC benefits that relate to Protected Rights contributions which could not be reinstated in the State Pension Scheme:** investments are within the main assets of the defined benefit section of the Scheme and members do not incur any charges. Hence value for money is good.
  - **Additional Voluntary Contribution (AVC) benefits:** the competitiveness of the charges, and investment performance amongst the AVC providers varies. However, the rationalisation project 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. A review of the remaining AVC funds is underway.

Chair and DC Governance Statement (continued)

06 Trustee Knowledge and Understanding

06.01 Assessment

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:

> The Trustee Chair, Stella Girvin, is an independent, professional trustee. Stella has had a varied prior career, including a period as Pensions Manager at Travis Perkins plc. The heart of her career has been in pensions, both defined benefit and defined contribution schemes, but she is also a qualified Company Secretary, experienced in corporate governance and compliance. The Trustee Board benefits from the range of their depth and experience in the pensions arena which enables them to challenge the Trustee's advisors.

> In addition, each of the Trustee Directors continuously consider their personal training needs in relation to the Scheme, in conjunction with the code of practice issued by the Pensions Regulator. The Trustee maintains a training log, which details the training undertaken by each Trustee Director during the year. This log aids the Trustee in ascertaining whether any knowledge gaps are present across the Board and, where identified, these are addressed as appropriate. Each Trustee Director has fully completed the Pension Regulator's Trustee Toolkit, including its latest module, Pension Scams.

> 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. The Trustee has undertaken a review of the Scheme's SIP, thus demonstrating a working knowledge of the SIP and Deed and Rules.

> The Trustees receive updates from advisors on pensions law developments and any other areas of particular importance, including appropriate training. During the Scheme year the Trustees received training concerning the impact of the Taskforce for Climate-Related Financial Disclosures ("TCFD") framework on the Scheme and DC investment rationalisation.

The Trustee'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.

Chair and DC Governance Statement (continued)

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.

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

Stella Girvin, Chair of Trustee

29th March 2022.

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 £9,023.

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 net of charges investment returns of 4.19% 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 0.90% at retirement.

	Default AVC arrangement		Cheapest fund, and the most popular by headcount		Most expensive fund		Fund with a low expected investment return		Further example of equity growth fund	
	Clerical Medical BlackRock Balanced Lifestyle Fund		Standard Life With-Profits		Clerical Medical Far Eastern		Clerical Medical Blackrock Over 5 Year ILG Fund		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%	1.00%	0.00%	0.50%	0.00%	0.78%
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	9,023	9,023	9,023	9,023	9,023	9,023	9,023	9,023	9,023	9,023
20	10,028	9,791	9,844	9,844	10,926	10,178	7,975	7,778	10,926	10,285
15	11,145	10,624	10,739	10,739	13,231	11,482	7,049	6,704	13,231	11,725
10	12,386	11,527	11,715	11,715	16,023	12,952	6,230	5,779	16,023	13,365
5	12,881	11,701	12,781	12,781	19,403	14,610	5,506	4,981	19,403	15,235
0	12,160	10,776	13,943	13,943	23,496	16,481	4,867	4,294	23,496	17,366

*Accumulation rate (before Inflation at 2.5%) / **Ongoing Charge Figure (OCF) + Transaction costs (where available). Transaction costs are based on the 2020/21 data as reported - the Trustee will include an average over a longer period when reliable data is available.

Chair and DC Governance Statement (continued)

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

1

March 2022

Chair and DC Governance Statement (continued)

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

b) Choosing Investments

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

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

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

c) Asset allocation

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

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

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

d) Arrangements with investment managers

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

Chair and DC Governance Statement (continued)

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

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

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

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

e) Realisation of investments

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

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

f) Responsible Investment

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

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

Chair and DC Governance Statement (continued)

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

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

3. Risk measurement and management

a) Risk Types

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

Risk	Definition	How it is measured/managed
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.

Chair and DC Governance Statement (continued)

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.

Chair and DC Governance Statement (continued)

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

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

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

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

Appendix 1 – Value for Members Assessment

Introduction

When it comes to retirement saving, members of Defined Contribution (DC) pension schemes rely on trustees to operate efficient and effective arrangements. Therefore, how trustees go about assessing their DC arrangements and what they then do with the results of that assessment will have a significant impact on members' retirement outcomes.

This *Value for Members* (VfM) report provides XPS' assessment of the Travis Perkins Pension and Dependants' Scheme (the Scheme) for the period 1 October 2020 to 31 September 2021. It considers the Scheme against the VfM requirements, relevant regulations and broader market norms where appropriate.

In considering VfM, the Pensions Regulator expects trustees to:

- **assess** your arrangement's performance over the last scheme year, with a written audit trail of what you have assessed, why, and the conclusions you have reached
- **determine** whether your scheme provides good value for members. Be clear on what 'good' looks like and how your scheme compares. Consider the quality and scope of the services provided to members, as well as the cost
- **report** your findings in a Chair's Statement, within 7 months of the scheme year end. This Statement must be published publicly
- **implement** a plan to improve any areas that do not meet requirements.

More information on the areas which have been considered as part of this assessment is shown overleaf. Each is then considered in-turn in the report.

Throughout this report, requirements which form a legal obligation are noted separately from those which are required in order for performance to be considered effective. Failure to meet any legal requirement is a significant issue which should be rectified promptly and is identified.

Having reviewed this assessment, the Trustee should consider its findings, decide whether the Scheme provides VfM and this conclusion will be documented in the Chair's Statement. Plus, any necessary changes to the Scheme should be agreed, planned and implemented.

Contents

Assessment stages

Step 1: Gather information on the scheme, its services to members and costs. **COMPLETE**

Step 2: Assess the scope and quality of services provided to members against the costs. **COMPLETE**

Step 3: Report on the outcomes. **COVERED IN THIS REPORT**

Step 4: Describe how any areas of poor value will be addressed or reasons why they cannot be addressed. Implement any changes to the scheme as necessary. **TRUSTEE TO CONSIDER**

Value for Members Assessment (continued)

Value for Members Assessment (continued)

DC and AVC structure

Below is a summary of the DC and AVC structure as at the end of the Scheme Year (31 September 2021):

'Pure DC' members	Unit Linked Funds	With Profits Funds
Standard Life	1	1
Abrdn	1	0

'AVC' members	Unit Linked Funds	With Profits Funds
Clerical Medical	34*	1
Zurich	0	1
Prudential	0	1
Aviva	0	1

* Some funds are used within both a lifestyle investment structure and as a stand-alone option. This report includes each fund once, and hence the total number reported (for example in Appendix A and B) is less than the 34 noted

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

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

Value for Members Assessment (continued)

Executive Summary | Investments | Scheme Features | Communications | Governance Framework | Administration | TKU

The Value for Members assessment shows the Scheme to provide good value for members. However, there are several areas for the Trustee to consider as summarised here.

Investments

GOOD

- The unit-linked AVC funds were rationalised in July 2021, adding value to members as it removed several underperforming funds.
- During 2021 the Trustee agreed to retain the investments for the 'DC Underpin' members and to consolidate the Abrdn and Standard Life unit linked funds into the Clerical Medical policy.
- The Trustee is currently considering the remaining AVC funds for further consolidation.

Recommendations:

- Update the main and default SIP.
- Complete the rationalisation of the remaining DC/AVC funds.
- Review the investments used for the Protected Rights (orphan) members (unless there is a contractual reason for them to be invested in the DB assets).

Scheme Features

GOOD

- We understand that some members can convert DC/AVC benefits into a pension paid from the Scheme. All members can purchase an annuity.
- For DB members with the 'DC underpin' benefit we understand the DC underpin rarely bites. And therefore consideration of alternative DC options is unnecessary.

Recommendations:

- Consider whether any further at retirement benefit flexibilities would be beneficial for those with pure DC benefits and AVCs. This could (for example) include signposting to a Master Trust.
- Consider reviewing security of assets held with Clerical Medical and Standard Life (as the main providers)

Communications

AVERAGE

- While the Scheme meets its legal obligations in respect of communications, we understand that no formal strategy is in place.
- The Trustee has indicated a desire to review member communications.
- Online functionality is limited; but this is common for the DB underpin members and legacy AVC with profits providers.

Recommendations:

- Undertake the planned communications strategy review and implement as necessary.

Governance Framework

GOOD

- The current governance framework is good: many key policies are in place and reviewed periodically, while sufficient resource is afforded to oversee the Scheme.

Recommendations:

- Once final details of the new Single Code of Practice are available the Trustee will need to ensure that the Scheme's Effective Systems of Governance (ESOG) and annual Own Risk Assessments (ORA) incorporate the DC / AVC benefits and risks.

Administration

GOOD

- Administrative matters are given sufficient coverage at meetings and SLA reporting is considered.
- Common/Conditional data was prepared in the Scheme Year although its not clear if/when it was presented to the Trustee.
- Hymans Robertson has confirmed that its business continuity plan has not been shared with the Trustee.

Recommendations:

- Obtain copies of business continuity plans from Hymans Robertson
- Consider with Hymans Robertson whether it is possible to provide more specific reporting iro core transactions and data scores for the DC and AVC benefits.
- Consider obtaining a copy of service level agreements with Clerical Medical and Standard Life (as the main providers).

Trustee Knowledge & Understanding

GOOD

- The Trustee has a strong working knowledge of pensions and is supported by professional advisers.
- The Trustee has demonstrated how it meets the TKU requirements of the Pensions Act 2004. This is summarised in the annual Chair Statement.
- The Trustee undertook an independent assessment of its effectiveness in May 2021.

5

More information on this assessment is provided in this report.

Value for Members Assessment (continued)

Investment Governance

The investments available to members have a significant impact on their retirement outcomes. It is therefore important that trustees ensure that they have effective investment governance procedures in place, so they can make the effective decisions, at the right time. Trustees have a **legal obligation** to meet the following requirements:

	Commentary		Recommended actions
1. Trustees must review their Statement of Investment Principles (SIP) at least every three years		The 'Main SIP', covers the overall Scheme investments (all, aside from the DC default). This was last reviewed and signed in July 2020. Its underlying principles are detailed in the Scheme's Investment Implementation Policy Document ("IIPD") which was last reviewed and agreed May 2019. It is planned that these documents will be reviewed and amended as necessary later in 2022. The most recent version of the 'Default SIP' was signed in July 2020. The default has since changed, and therefore this is being updated for Trustee review and signature in February 2022.	Agree a revised Default SIP and update the Main SIP
2. Trustees must review their investment strategy (inc. default arrangement) at least every three years		The Trustee has been undertaking a review of all the DC/AVC investments: • The Clerical Medical BlackRock Balanced Lifestyle Option is the Scheme's only default investment. This replaced the Utmost Life & Pensions default investment in 2020 • An AVC consolidation exercise was concluded in July 2021, bringing several AVCs funds into the Clerical Medical policy. XPS is currently undertaking a review of the remaining DC/AVC funds. The Trustee has agreed: • The DC unit-linked funds in the Abrdn Multi-Asset Fund and Standard Life Managed Fund (used for some of the 'Pure DC' members) will move to the Clerical Medical policy • To retain the arrangements for the DC underpin benefits (which are notionally invested in the DB assets) • The Clerical Medical and Prudential with profits funds will move to the Clerical Medical policy • The Standard Life, Zurich and Aviva with profits funds will be retained. Whereas its reasonable to retain the investments within the Scheme's main DB assets for the 'DC underpin' members, it would be appropriate to review the investments used for the Protected Rights (orphan) members, which are invested in the main DB assets As these are stand-alone DC benefits, having 'DC' type investments could be more appropriate for their needs.	Complete the current DC/AVC rationalization project. Review the investments for the Protected Rights (orphan) members which are currently held in the DB assets (unless there is a contractual reason to retain them) 6

Value for Members Assessment (continued)

Investment Governance

The investments available to members have a significant impact on their retirement outcomes. It is therefore important that trustees ensure that they have effective investment governance procedures in place, so they can make the effective decisions, at the right time. Trustees have a **legal obligation** to meet the following requirements:

	Commentary		Recommended actions
3. Review the performance of the investment funds (default and self-select)		A summary of performance over the year can be found in Appendix B. We note that: • The investment performance of the assets underlying the DC underpin benefits and the Pure DC benefits that relate to Protected Rights (orphan) members (ie the DB section investments) were ahead of benchmark over both one and three years and are therefore good value • Investment performance of the pure DC funds invested with Standard Life and Abrdn was broadly in-line with benchmarks and provides good value although the one-year performance has been slightly behind benchmark. For AVCs: • Clerical Medical AVCs – performance is mixed, with some funds lagging their benchmarks or ABI sector returns. • With-Profits Funds - these have a combination of various underpins and guarantees. The current review of the with profits funds is considering the overall value these provide to members.	

Value for Members Assessment (continued)

Investment Governance

The investments available to members have a significant impact on their retirement outcomes. It is therefore important that trustees ensure that they have effective investment governance procedures in place, so they can make the effective decisions, at the right time. Trustees have a **legal obligation** to meet the following requirements:

	Commentary		Recommended actions
4. Trustees must calculate at least annually the charges and, insofar as they are able to, transaction costs to which members' funds are subject (default and self-select)		The charges and transaction costs for all funds are summarised in Appendix A. The charges information is unavailable for three of the with profits funds – and although this is not unusual for these legacy type With-Profits arrangements, XPS continues to seek these on the Trustee's behalf, for future disclosure in the Chair Statement.	XPS will continue to request the data required from investment managers on a regular basis (at least annually) and seek the missing information
5. Review the member charge in the default investment – i.e. the amount that members can be charged in the default arrangement(s) must be below the charge cap (currently 0.75% pa)		The Clerical Medical BlackRock Balanced Lifestyle Option is the Scheme's only default investment. The Ongoing Charges Figure (OFC) for the Scheme year to 30th September 2021 is 0.50%. Whilst below the charge cap, these charges are broadly in line with the 2020 benchmark survey conducted by the DWP (0.53% for schemes not used for auto enrolment) and with our experience of other AVC arrangements of this type. These are therefore deemed good value.	
6. Review of member charges in non-default investments		'DC underpin' and 'Pure DC' members which are Protected Rights (orphan) members pay no charges for being invested in within the DB assets (i.e. their returns are gross). These members therefore receive good value. For the 'Pure DC' members: • the OFC for the Standard Life Managed Fund and the Abrdn Multi-Asset Fund are 0.52% and 0.60% respectively. The Trustee has agreed to consolidate these funds into the Clerical Medical BlackRock Balanced Lifestyle Fund which will provide better value for members. • The Standard Life With Profits provides bonuses net of fees of 4% and the charges are not separated for this fund – however this is considered good value due to the bonus delivered. For AVCs: • The OCF for the Clerical Medical Unit linked funds and with profits fund are 0.50% - this charge is broadly in line with other AVC arrangements of this type, and are therefore deemed good value. • The charges for the Prudential With Profits Cash Accumulation Fund is 1% - this is not unusual for these legacy type With-Profits arrangements but is high when compared to other options. • The charges information is unavailable for three of the with profits funds - this is not unusual for these legacy type With-Profits arrangements. The Trustee is currently considering these funds as part of the review of With Profits AVC funds	

Value for Members Assessment (continued)

Investment Governance

The Pensions Regulator considers that schemes should do the following in order that the investment governance arrangements can be considered **effective***:

	Commentary		Recommended actions
1. Undertake an analysis of the profile of its members and other research to discover member preferences in relation to investment		The Trustee has considered overall profile of the members and, where necessary, individual members data, when considering the investment changes.	
2. The analysis described above should have contributed to the design of the investment strategy	N/A	See above.	
4. The scheme should have a process to regularly engage with members about the date on which they would like to take their retirement benefits		The Trustee's decision to move DC members in the Abrdn Multi-Asset and Standard Life Managed Funds into the Clerical Medical BlackRock Balanced Lifestyle Fund will mean that as these members approach retirement their individual DC holdings will be transitioned between funds ('de-risked'). This presents an opportunity for the Trustee to consider how to engage with all DC members, especially as they approach their selected retirement age. For AVC members, the Trustee should ensure communications clearly identify the options available to members. For DC underpin members the retirement age has less significance as their benefits will ultimately be provided as a DB benefit and therefore it is important that members understand overall the construction of these benefits, rather than the DC in isolation.	As noted elsewhere, we recommend that the Trustee develop a clear communications strategy, which would cover communications to members approaching retirement.
5. Members' target retirement dates should be taken into account when formulating investment strategies and approach		As covered under point 1 (above), the broad membership demographic was considered as part of the recent and ongoing reviews.	

**As set out in the Pensions Regulator's report "Defined Contribution trust-based pension schemes research – Report of findings on the 2019 survey", dated May 2019*

Value for Members Assessment (continued)

Scheme Features

Other scheme features and/or benefits can `contribute to value. The table below sets out some broader considerations:

	Commentary		Recommended actions
1. What retirement flexibilities are available within the Scheme?		We understand that some DC and AVC members can convert their benefits into a pension paid directly from the Scheme. All members have the option to purchase an annuity. DC underpin members are provided with DB scheme benefits at retirement. This is typical for such an arrangement, and additional flexibilities would likely be complex and of little value.	Consider whether further retirement flexibilities are made available to members, aside from annuity options. This could (for example) include signposting to a Master Trust.
3. Which services are paid for by the employer?		All Scheme advisory, administration and governance costs are paid for by the Scheme. Members with AVCs pay charges associated with the product held, which typically covers any administration by the AVC provider as well as the investment fund charges – this is typical for these type arrangements.	
4. To what extent and in which circumstances is any loss of scheme assets covered by indemnity insurance or similar arrangement, or a compensation scheme such as the Financial Services Compensation Scheme (FSCS)?		DC and AVC benefits are held with reputable, well-established asset managers. The Scheme's defined benefits are further covered by the Pension Protection Fund. XPS is not aware of any specific indemnity insurance in place or the extent to which FSCS protection is available.	Consider reviewing the security of assets held with Clerical Medical and Standard Life (as the main providers)

Communications

The quality of communications to members is a key area of scheme governance and can be of great value. Communications can be judged on style and quality, member feedback and quality marks such as the Plain English Crystal mark.

Trustees have a **legal obligation** to meet the following requirements:

	Commentary		Recommended actions
1. The Scheme must provide a benefit statement to members each year.	●	Members with DC benefits receive annual statements.	
2. The Scheme must produce an annual Chair's Statement and host this on a publicly available site.	●	The Scheme's Chair's Statement is accessible at https://www.travisperkinsplc.co.uk/about-us/governance	
3. The Statement of Investment Principles (SIP) must be hosted on a publicly available site.	●	The Scheme's SIP is accessible at https://www.travisperkinsplc.co.uk/about-us/governance	
4. The Scheme must produce an implementation statement which must be hosted on a publicly available site.	●	The Scheme's Implementation Statement is accessible at https://www.travisperkinsplc.co.uk/about-us/governance	

Value for Members Assessment (continued)

Communications

The Pensions Regulator considers that schemes should do the following in order that the member communication strategy can be considered **effective***:

At least two of:	Commentary		Recommended actions
1. Research the views of members	Amber	The Scheme has not undertaken any analysis or surveys to understand the views of members.	It may be beneficial to undertake a scheme survey, and/or run XPS Member Analytics to consider the member attitudes / needs
2. Conduct an annual review of communications	Red	XPS is not aware of any communications review having taken place during the most recent full Scheme year.	XPS recommends the Trustee undertakes a proportionate review of the Scheme's communications. This should lead to the development of a clear communications strategy to cover the messages members receive, consideration of online capabilities and the method of distribution, amongst other matters. This will ensure the members receive a good value communication package for the DC and AVC benefits. XPS notes the intention of the Trustee Board in minutes from the 18 December 2020 meeting to consider these communications further.
3. Have a communications plan	Red	XPS is not aware of a documented communications strategy.	
4. Review relevant innovations in technology that could improve member access to communications, including interactive tools	Amber	Online functionality is limited; but this is common for the DB underpin members and legacy AVC providers	

All of:	Commentary		Recommended actions
1. Communicate information in the disclosure section to members at least annually as set out in Appendix C	Green	Communications are prepared by Hymans Robertson. XPS expect these will have been internally reviewed by Hymans Robertson to ensure compliance with the Disclosure of Information regulations.	
2. Have a process to ensure the Chair's statement includes all the required information	Green	The DC Chair's Statement is prepared by XPS, which uses its compliant templates	
3. The trustee board, or nominated board member, must review the scheme return prior to submission	Green	The Scheme Return is considered for accuracy prior to submission. Copies are made available to the Trustee Board.	
4. Pre-retirement communications must include the information set out in Appendix C	Green	Pre-retirement communications are prepared by Hymans Robertson. XPS expect these will have been internally reviewed by Hymans Robertson to ensure compliance with the Disclosure of Information regulations.	Consider the effectiveness of the pre-retirement communications as part of any wider communications review.
5. Continue to communicate with members who remain in the scheme having chosen to flexibly access their benefits	n/a	Flexi-access is not provided in Scheme, so n/a.	

*As set out in the Pensions Regulator's report "Defined Contribution trust-based pension schemes research – Report of findings on the 2019 survey", dated May 2019

12

Value for Members Assessment (continued)

Governance Framework

The Scheme is governed by a Corporate Trustee, Cobtree Nominees Limited. Two of the Trustee Directors are Member-Nominated, and the remaining three are Company appointments, including Stella Girvin of Capital Cranfield, who is a professional, independent trustee with experience managing DC schemes. The Scheme is further supported by Andy Mills, who is the Secretary of the Trustee from Capital Cranfield.

The structure of the Trustee Board is scheduled to change in April 2022 with Ross Trustees set to take the role as a professional sole corporate trustee. This report considers the Scheme year ending 30 September 2021, and therefore reflects the tenure of Cobtree Nominees Limited.

The effectiveness of the Trustee board and its interaction with both service providers and the employer can affect the overall value provided to members and therefore we consider factors relevant to this here.

The Trustee has a **legal obligation** to meet the following requirements:

	Commentary	Recommended actions
1. Trustees are required to appoint a Chair	Stella Girvin, representing Capital Cranfield, is Chair of the Trustee	
2. Trustees are required to have in place a process for appointing a minimum number of Member-Nominated Directors ("MNDs").	When an MND exercise is conducted, the Trustee issues a policy to applicable members that sets out the process for appointing MNDs, and the duties and conduct expected of successful candidates.	
3. Trustees must have processes in place to identify and manage any conflicts of interest	A conflicts of interest policy is in place, having been last formally updated in March 2020. Trustee Directors are requested to declare any potential conflicts at the start of each Trustee meeting and all conflicts are recorded in the minutes.	

Value for Members Assessment (continued)

Governance Framework

In order to provide good value for members, trustees should aim to have a governance framework which meets more than the legal minimum requirements. The Pensions Regulator considers that schemes should do the following in order that the governance framework can be considered **effective**:

	Commentary	Recommended actions
1. Maintain a register of trustees', service providers' and advisers' interests	We understand that a register is maintained and all advisers are expected to declare any conflicts to the Trustee.	
2. Regularly review assurance reports regarding service providers' internal controls and have procedures in place to address their effectiveness and performance	The Trustee is provided with Hymans Robertson LLP's AAF 01/06 internal controls report annually, which is also considered by the auditor as part of the accounts process.	
3. When assessing and appointing new trustees, the scheme should have a documented policy to assess their fitness and properness	The Trustee's MND policy confirms a robust selection process is adhered to for appointments. Legal requirements and duties are also outlined. XPS has not requested or seen an equivalent Company appointment policy, but would suggest that if one is not in place this is implemented	
4. The scheme should have a documented process for appointing a chair that takes into account the leadership qualities of candidates	Capital Cranfield conducts its own due diligence based on the needs of its clients and put forward suitable candidates as a result.	
5. The trustee board should have sufficient time and resources to properly run the scheme	Trustee meetings are held frequently throughout the year. These are augmented by working groups and subcommittees covering matters such as investments. XPS believes this structure is appropriate	Additional requirements are anticipated later in 2022. This includes the need to have an Effective Systems of Governance (ESOG) and undertake annual Own Risk Assessments (ORA), which should include coverage of the DC / AVC benefits and risks (beyond compliance with the Chair Statement requirements).
6. The scheme should have a risk register and review its exposure to new and existing risks at least every six months	The Trustee reviews the risk register at each meeting. While this seems comprehensive, there is only one item covering DC/AVC risks – this covers compliance with the Chair Statement requirements.	

Value for Members Assessment (continued)

Administration

Good administration is the foundation of a well run scheme. Trustees have a **legal obligation** to meet the following requirements:

	Commentary	Recommended actions
1. Trustees must ensure that core financial transactions are processed promptly and accurately	During the year a few members were subject to delays on disinvestment of their AVCs at retirement due to administrative delays at Prudential. The Trustee was made aware of this, and from 11 March 2021 the administrator (Hymans Robertson) issued all members requesting relevant information or transactions involving Prudential AVCs with a written communication informing them of potential delays with such transactions. The Trustee continues to monitor the position, and has contacted Prudential making clear its dissatisfaction with the delays and expectation that this matter must be resolved swiftly. The Trustee will continue to work with its administrator and Prudential on this matter and will support any affected members. The Trustee has considered the with profits investments with Prudential as part of its ongoing AVC rationalisation project and agreed to move these to the Clerical Medical policy. From Hymans Robertson Administration reports provided, SLA performance: • 1/9/2020 – 30/11/2020: 972 cases within SLA / 239 missed SLA, less than 95% in SLA (amber rated) • 1/12/2020 – 31 Dec 2020: 422 cases within SLA / 22 missed SLA, all performance summary green rated • 1/1/2021 – 31/3/2021: 1036 cases within SLA / 123 missed SLA, complaints in period (red rated), less than 95% in SLA (amber rated) • 1/4/2021 – 30/6/2021: 1181 cases within SLA / 49 missed SLA, complaints in period (red rated) • 1/7/2021 – 30/9/2021: 1116 cases within SLA / 57 missed SLA, complaints in period (red rated) In the quarterly administration governance reports Hymans provides information on member movements in 'DC' benefits, and performance against SLA's for "AVCs" (with an SLA of 7 working days) and "DC Specific Activities" (with an SLA of 10 working days). These are broad categories, and if possible, we recommend the Trustee requests reporting specifically in relation to the 'core financial transactions'. Asset transitions were carried out in the period as part of the consolidation of the AVC policies held. We understand there were challenges on transitioning some of the assets, but, nothing to suggest that these were not processed in a suitable manner and timeline. The process was overseen by Mercer (as investment advisor) and Hymans Robertson – and should issues with core transactions have occurred, we would expect these to have been raised with the Trustee at that time and resolved suitably.	Consider with Hymans Robertson, whether it is possible to provide more specific reporting related to core transactions for the DC and AVC benefits

Value for Members Assessment (continued)

Administration

The Pensions Regulator considers that schemes should do the following in order that the administration service can be considered **effective**:

		Commentary	Recommended actions
1. Trustees should meet at least once every six months and include administration as a dedicated item on the agenda at every regular board meeting	Green	The Trustee meets frequently to discuss Scheme matters. Administration is a standing agenda item, and matters including discretions and administrative performance are discussed.	
2. The Trustee should be satisfied that its administrator's business continuity plan is adequate and review the plan at least annually	Amber	XPS understands that the Trustee has not been provided the business continuity plans of Hymans Robertson or its AVC providers.	Request copies of the business continuity plans and consider reviewing them annually.
3. The scheme should have documented service standards in place for the accuracy and time taken to process core financial transactions and track performance against those standards	Amber	The Trustee has agreed to a 95% Service Level Agreement ("SLA") with Hymans Robertson for the provision of administration services. Performance against the SLA is reported at least quarterly, broken down by workstream. XPS is not aware of any SLAs between the Trustee and its AVC providers. This is not unusual for such legacy arrangements, where the overall management of the AVC providers to ensure they adhere to reasonable timelines is primarily led by the lead administrator (Hymans Robertson).	Consider obtaining a copy of service level agreements with each DC/AVC provider – in particular, Clerical Medical and Standard Life (as the main providers) Consider with Hymans Robertson whether it is possible to provide more specific reporting related to core transactions for the DC and AVC benefits
4. The scheme should review the quality of common and scheme-specific data at least annually	Green	XPS has been provided the latest data scores from Hymans Robertson. It is unclear from the documents provided (minutes etc) as to when these results were last presented to the Trustee. The Pension Regulator expects regular consideration of data (and input in the Scheme Return of data that is no longer than 3 year old)	Consider data scores annually and consider with Hymans Robertson whether it is possible to provide more specific data scores for the DC and AVC benefits

Value for Members Assessment (continued)

Trustee Knowledge and Understanding

This report considers the Scheme year ending 30 September 2021, and therefore reflects the tenure of Cobtree Nominees Limited.

Trustee Knowledge and Understanding ("TKU") is not a service that members pay for or indeed share any cost. However it does affect the governance of the Scheme and so members' outcomes at retirement.

Trustees have a legal obligation to meet the following requirements:

	Commentary		Recommended actions
1. Trustee boards must have a working knowledge of the documents governing their scheme	●	The Trustee is familiar with the key policies of the Scheme, which are maintained by the Secretary to the Trustee. Further support is provided by the Trustee's professional advisers.	
2. New trustees should be required to complete the trustee toolkit or equivalent within six months of appointment	●	Each Trustee Director has completed the Trustee Toolkit, and this is recorded in the training register.	
3. Trustees must have knowledge and understanding of pensions and trust law as appliable, and the principles of investment	●	Guidance on the key principles of Trusteeship and investment governance are provided to the Trustee by its professional advisers.	
4. Trustee must describe annually in the Chair's Statement how they have met the legislative requirements for TKU during the previous year	●	The Chair's Statement outlines how the Trustee satisfies the TKU requirements of the Pensions Act 2004.	

In order to provide good value for members, trustees should aim meet more than the legal minimum requirements. More information on this is provided overleaf.

Value for Members Assessment (continued)

Trustee Knowledge and Understanding

The Pensions Regulator considers that schemes should do the following in order that the trustee board's knowledge and understanding can be considered effective*:

	Commentary		Recommended actions
1. The Trustee should possess or have access to, all the knowledge, understanding and skills necessary to properly run the Scheme		The Trustee's professional advisers are appointed to provide technical guidance and training where required. This is underpinned by the appointment of a professional, independent Trustee who complements the Board with a wealth of practical pension experience.	
2. The trustee board should know which trustees have particular expertise or specialist knowledge		The Chair of the Trustee is a professional trustee by practice with experience of managing DC arrangements. Professional trustees are expected to possess technical and practical knowledge which helps attain a higher degree of scheme governance.	
3. The trustee board should carry out an evaluation of the performance and effectiveness of the board as a whole at least once a year		The Trustee measured its collective effectiveness during the latest Scheme year. The conclusions drawn from this review were discussed at the Trustees' meeting of 10 May 2021.	
4. The scheme should have training and development plans to ensure trustees continue to have the required knowledge and skills, including steps to address any gaps		Trustee training is provided at meetings as and when needed. A Trustee training gap analysis undertaken periodically and training logs are maintained.	

As set out in the Pensions Regulator's report "Defined Contribution trust-based pension schemes research – Report of findings on the 2019 survey", dated May 2019

Value for Members Assessment (continued)

Value for Members Assessment (continued)

Appendix A – Costs and Charges

The latest reportable charges and transaction costs to which members' funds are subject are summarised below (for the period 1 October 2020 to 31 September 2021 unless otherwise stated)

DC Fund	OCF (%)	Transaction Costs (%)
Abrdn Multi-Asset Fund	0.60	0.18
Standard Life Managed Fund	0.52	0.14
Standard Life With-Profits Fund[0]	N/A	N/A

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 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 2021 unless stated otherwise. The funds used within the default are all subject to an OCF of 0.50% and are indicated with # and highlighted grey.

AVC Fund	OCF (%)	Transaction Costs (%)
Aviva Conventional With-Profits[1]	N/A	N/A
Clerical Medical Halifax	0.50	0.00
Clerical Medical Cautious	0.50	0.15
Clerical Medical Balanced	0.50	0.27
Clerical Medical Adventurous	0.50	0.22
Clerical Medical UK Equity Income (Acc)	0.50	0.25
Clerical Medical Smaller Companies	0.50	0.10
Clerical Medical UK Growth	0.50	0.28
Clerical Medical European Fund	0.50	0.16
Clerical Medical Far Eastern	0.50	0.50
Clerical Medical Japanese	0.50	0.00
Clerical Medical North American	0.50	0.00
Clerical Medical International Growth	0.50	0.16
Clerical Medical Retirement Protect	0.50	0.11
Clerical Medical UK Index-Linked Gilts	0.50	0.08
Clerical Medical Gilt & Fixed Interest	0.50	0.07

AVC Fund *Funds with # are part of the default*	OCF (%)	Transaction Costs (%)
Clerical Medical UK Property	0.50	0.00
Clerical Medical Ethical	0.50	0.02
Clerical Medical Non-Equity	0.50	0.08
Clerical Medical With Profit	0.50	0.33
Clerical Medical Cash#	0.50	0.00
Clerical Medical Blackrock Over 15yr Gilt#	0.50	(0.04)
Clerical Medical Blackrock World Ex UK #	0.50	(0.01)
Clerical Medical Blackrock Over 5 Year Gilt#	0.50	(0.01)
Clerical Medical Blackrock UK Equity#	0.50	(0.03)
Clerical Medical Blackrock Corp. Bond All Stock#	0.50	0.00
Prudential Deposit[1]	N/A	N/A
Prudential Discretionary[2]	0.77	0.10
Prudential WP Cash Accumulation[2]	1.00	N/A
Santander Deposit[3]	N/A	N/A
Utmost Managed[4]	0.75	0.14
Utmost Money Market[4]	0.50	0.00
Utmost Secure Cash[4]	0.50	0.00
Zurich With Profits 90:10[1]	N/A	N/A

(Source: Abrdn, Aviva, Clerical Medical, Prudential, Santander, Utmost Life & Pensions and Zurich)

[0] There are no explicit costs associated with this fund; this is because deductions are allowed for when final bonus rates are calculated.
[1] There is no OCF for this product; instead, fund expenses are taken into account when determining bonus rates each year.
[2] Information as at 31/03/2021. Funds moved to the Clerical Medical Discretionary Fund and Deposit Fund in July 2021.
[3] Members invested in the Santander Deposit Fund were solely invested in cash; this was not a unitised fund. Members invested in this policy would receive interest on a daily basis equivalent to 0% p.a. There were no annual costs or charges for this Fund. Funds moved to Clerical Medical BlackRock Balanced Lifestyle Fund July 2021.
[4] Information as at 30/06/2021. Funds moved to Clerical Medical BlackRock Balanced Lifestyle Fund July 2021.

XPS DC

20

Value for Members Assessment (continued)

Appendix B – DC Returns vs benchmark

The returns achieved on the Scheme's funds versus each funds' benchmark (for the period 1 October 2020 to 31 September 2021 unless otherwise stated)

DC Funds	I year returns (%)			3 year returns (%) annualised		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Abrdn Multi-Asset Fund*	15.9	19.1**	(3.2)	8.0	6.3**	1.7
Standard Life Managed Fund*	16.1	16.5***	(0.4)	6.4	6.3***	0.1
Standard Life With-Profits Fund&	4.0	-	-	4.0	-	-

Source: Abrdn, Aviva, Clerical Medical, Prudential, Santander, Utmost Life & Pensions and Zurich

*Gross of fees
**40% FTSE All Share, 25% MSCI World ex UK, 15.0% FTSE Government All Stocks, 5% HFRI FOF: Conservative Index, 5% FTSE Small Cap, 5% 7 Day Sterling Libor, 2.5% 7 Day Sterling Libor, 2.5% FTSE All-Share Index - Equity Investment Instruments
***ABI (Pension) Mixed Investment 40-85% Shares Sector Average
& There is a 4% guaranteed bonus provided on this policy

Appendix B – AVC Returns vs benchmark (continued)

The following funds contain over 80% of the unit linked assets held with Clerical Medical. The returns achieved are shown versus each funds' benchmark (for the period 1 October 2020 to 31 September 2021)

Note: For funds managed to a benchmark index (marked with a *), the returns achieved are shown versus each funds benchmark index. Unfortunately Clerical Medical only provides the ABI sector returns which are less useful for comparing performance than the funds underlying benchmarks and results in some variation. The benchmark returns have therefore been sourced by XPS and adjusted for fees. Where the fund is not managed to a benchmark, returns achieved are shown versus the average returns for the relevant ABI sector.

AVC funds	1 year returns (%)			3 year returns (%) annualised		
Funds with # are part of the default; funds in bold are part of the core fund range	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Clerical Medical Blackrock Over 5 Year Gilt Pension#*	(0.9)	(0.3)	(0.6)	6.0	6.1	(0.1)
Clerical Medical Blackrock UK Equity Pension#*	26.3	26.7	(0.4)	1.6	2.4	(0.8)
Clerical Medical Blackrock Corporate Bond All Stock Pension#*	(1.4)	(0.9)	(0.5)	3.6	3.9	(0.3)
Clerical Medical Cash Fund#	0.0	(0.5)	0.5	0.0	(0.1)	0.1
Clerical Medical Blackrock Over 15 Year Gilt#*	(12.1)	(11.7)	(0.4)	4.2	4.2	0.0
Clerical Medical Blackrock World Ex UK Pension#*	23.4	23.0	0.4	12.1	13.0	(0.9)
Clerical Medical Balanced Fund	20.4	15.6	4.8	3.3	6.3	(3.0)
Clerical Medical UK Growth Fund*	22.7	27.9	(5.2)	0.0	3.1	(3.1)
Clerical Medical Cautious Fund	13.2	11.3	1.9	2.2	4.3	(2.1)

Source: Clerical Medical and XPS
**Funds managed to a market index*

Value for Members Assessment (continued)

Appendix B – AVC Returns vs sector (continued)

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

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

AVC funds	1 year returns (%)			3 year returns (%) annualised		
Funds in bold are part of the core fund range	Fund	ABI Sector	Relative	Fund	ABI Sector	Relative
Clerical Medical Smaller Companies Fund	39.4	51.0	(11.6)	5.7	11.3	(5.6)
Clerical Medical European Fund	21.0	22.1	(1.1)	7.4	8.3	(0.9)
Clerical Medical Far Eastern Fund	8.1	15.5	(7.4)	5.4	8.6	(3.2)
Clerical Medical Japanese Fund	19.3	17.3	2.0	4.5	5.2	(0.7)
Clerical Medical North American Fund	26.0	26.8	(0.8)	12.7	14.0	(1.3)
Clerical Medical International Growth Fund	24.8	23.4	1.4	8.7	10.0	(1.3)
Clerical Medical Retirement Protect Fund	(12.2)	(7.6)	(4.6)	4.1	5.1	(1.0)
Clerical Medical UK Index-Linked Gilts Fund	(0.9)	(0.5)	(0.4)	5.3	5.8	(0.5)
Clerical Medical Gilt & Fixed Interest Fund	(2.6)	(4.1)	1.5	3.2	3.1	0.1
Clerical Medical UK Property Fund	13.8	7.0	6.8	4.0	0.5	3.5
Clerical Medical Ethical Fund	25.9	23.4	2.5	11.5	10.0	1.5
Clerical Medical Non-Equity Fund	2.8	4.9	(2.1)	2.6	3.6	(1.1)
Clerical Medical With Profit Funds	4.0	n/a	n/a	4.0	n/a	n/a
Clerical Medical Halifax Fund	0.0	(0.5)	0.5	0.0	(0.1)	0.1
Clerical Medical Adventurous Fund	25.7	19.7	6.0	4.0	7.1	(3.1)
Clerical Medical UK Equity Income (Acc) Fund	24.2	29.5	(5.3)	(0.6)	1.4	(1.9)

Source: Clerical Medical;

XPS DC

Appendix B – Returns vs benchmark (continued)

The following funds contain the remainder of the AVC assets held with various providers. Where a fund is a "With-Profits Fund", the fund performance we have shown is the regular bonus the member will have received over the period. Some of these funds have been removed as part of the rationalisation work during the year and so won't be reported on in the future, and for some, performance is unavailable.

AVC funds	I year returns (%)			3 year returns (%) annualised		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Zurich With Profits 90:10 Fund	0.0	n/a	n/a	0.0	n/a	n/a
Prudential With-Profits Cash Accumulation Fund (overall annualised returns)	1.0	n/a	n/a	1.2	n/a	n/a
Aviva Conventional With-Profits Fund	0	n/a	n/a	n/a	n/a	n/a
Prudential Deposit Fund (to 31 December 2021)[1]	0.1	0.1	0.0	0.4	0.4	0.0
Prudential Discretionary Fund (to 31 December 2021)[1]	12.4	10.3	2.1	9.9	10.0	(0.1)
Santander Deposit Fund[1]	0.0	0.0	0.0	n/a	n/a	n/a
Utmost Managed Fund (to 30 June 2021)[1]	15.5	-	-	n/a	n/a	n/a
Utmost Money Market Fund (to 30 June 2021)[1]	(0.4)	-	-	n/a	n/a	n/a
Utmost Secure Cash Fund[0,1]	-	-	-	n/a	n/a	n/a

Source: Aviva, Prudential, Santander, Utmost Life & Pensions and Zurich
[0] Fund performance unavailable for full period as fund terminated in December 2020
[1] These funds have been removed from the AVCs available and therefore will not be reported in future

Value for Members Assessment (continued)

Appendix C - Communications

The following information should be communicated to members **at least annually***:

		Comments
The level of costs and charges deducted from member's funds		Set out in the Chair's statement.
The investment strategy of the funds they are in		Summarised in the Chair's Statement and SIP
That the level of contributions is a key factor in determining the overall size of their pension fund	n/a	
Information on how to spot a scam	TBC	Communications are prepared by Hymans Robertson. XPS expect these will have been internally reviewed by Hymans Robertson to ensure compliance with the Disclosure of Information regulations. However, the Trustee should confirm this information is included in transfer packs
Information on the right to access benefits in a variety of ways	TBC	

The following information should be included in **pre-retirement communications***:

		Comments
Clear steps that members should take to make an informed decision about how to take their benefits	TBC	Communications are prepared by Hymans Robertson. XPS expect these will have been internally reviewed by Hymans Robertson to ensure compliance with the Disclosure of Information regulations. However, the Trustee should confirm this information is included in retirement packs and that the scheme complies with the new requirements brought in from November 2021 (under the Pensions Act 2021) to protect members from pensions scams
Risk warnings about the different options available to member in relation to accessing their benefits	TBC	

**As set out in the Pensions Regulator's report "Defined Contribution trust-based pension schemes research – Report of findings on the 2019 survey", dated May 2019*

Value for Members Assessment (continued)

Disclaimers and compliance

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