BSS Group Pension Scheme

Annual Report and Financial Statements

30 September 2021

Scheme Registration number 10154188

Contents

Section 1 – Trustee and its Advisers

The Trustee

The Trustee of the Scheme is a corporate Trustee, BSS GPS Trustee Limited.

With effect from 1 April 2022 BSS GPS Trustee 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 BSS GPS Trustee 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)	John Baker (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 March 2021) XPS Pension Group (from April 2021)
Investment Managers	Aberdeen Standard Investments (to February 2021) Ares Management LLC Baillie Gifford & Co (to November 2021) 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
Bankers	Barclays Bank UK PLC
AVC Providers	Clerical Medical (from July 2021) The Prudential Assurance Company Limited Utmost Life and Pensions Limited (to July 2021)
Principal Employer	Travis Perkins plc

Section 2 – Trustee’s Report

The Trustee of the BSS Group Pension Scheme (“the Scheme”) is pleased to present its report together with the audited financial statements and actuarial statements of 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 governed by a Definitive Trust Deed and Rules, the current version of which was executed on 25 February 2020. The Scheme was closed to new members from 1 March 2002 and closed to future accrual from 31 August 2018.

The Scheme is a defined benefit scheme which provide benefits based on a member’s salary and length of service.

Members were able to make Additional Voluntary Contributions (“AVCs”) to secure additional benefits.

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004

Members of the Scheme were contracted-out of the State Second Pension (S2P). From 6 April 2016, following changes to the State Pension, members are no longer contracted-out of the Additional State Pension.

Rule Changes

There were no rule changes in the Scheme rules for the year to 30 September 2021.

Management of the Scheme

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

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

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

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

Post year-end

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

Trustee's Report (continued)

Financial Development of the Scheme

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

The fund account shows that the net assets of the Scheme decreased from £389,269,000 at 30 September 2020 to £379,265,000 at 30 September 2021. The decrease in net assets is accounted for by:

	2021 £000	2020 £000
Member related income	3,028	10,811
Member related payments	(13,473)	(12,360)
Net withdrawals from dealings with members	**(10,445)**	**(1,549)**
Net returns on investments	441	15,515
Net (decrease)/increase in fund	**(10,004)**	**13,966**
Opening net assets available for benefits	389,269	375,303
Closing net assets available for benefits	**379,265**	389,269

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 6 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 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. The Schedule of Contributions in May was implemented to update the Employer paying contributions in arrears.

The auditors Statement about Contributions is qualified in the current year as a result of the administration practice of paying deficit funding and additional contributions in respect of expenses in arrears. This resulted in contributions for the months of October 2020 through to May 2021 being paid between 27 and 30 days later than the due dates set out in the Schedules of Contributions. The Schedule of Contributions was updated and certified on 4 May 2021. The Schedule of Contributions in May was implemented to update the Employer paying contributions in arrears.

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 were increased on 1 April 2021.

Where a Guaranteed Minimum Pension (GMP) is in payment, these were increased in accordance with statutory requirements (CPI capped at 3% on Post 6 April 1988 GMP and no increase on Pre 6 April 1988 GMP). For the April 2021 increase a rate of 0.5% was applied.

Pensions in payment relating to service before and including 31 May 2005 were increased in line with the annual increase in the RPI, subject to a maximum increase of 2.5%, referencing the previous November’s rate. For the April 2021 increase a rate of 0.9% was applied.

Pensions in payment relating to service after 31 May 2005 were increased in line with the annual increase in the RPI, subject to a maximum increase of 2.5%, referencing the previous November’s rate. For the April 2021 increase a rate of 0.9% was applied.

In addition, there are some members who receive a fixed increase to pensions in payment relating to AVCs.

Deferred members’ preserved pensions were increased in accordance with statutory requirements.

There were no discretionary pension increases made in the year ended September 2021 (2020: none).

Transfer Values Paid

Cash equivalents paid during the period were calculated and verified as 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, assessed using the assumptions agreed between the Trustee and the employer and 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	390	371
Assets (including AVCs and insured pensions)	389	378
Deficit/(Surplus)	**1**	**(7)**

The method and significant actuarial assumptions used to determine the Technical Provisions as at 30 September 2020 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.

Significant Actuarial Assumptions

Discount Rate: based on the appropriate spot gilt yield taken from the Bank of England gilt curve applied to the expected cash flow in each future year.

An addition of 1.20% pa is applied to the yield curve until 30 September 2025. Thereafter, an addition of 0.50% pa is applied. This addition is based on a prudent expectation of future investment returns, net of investment manager expenses, from the Scheme's long term investment strategy.

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: the assumption for future retail price inflation less 0.80% per annum.

Pension Increases: derived from the future retail and consumer price inflation rates, 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.

Salary Increases: no assumption has been used for salary increases as all members are assumed to leave at the valuation date due to closure to future benefit accrual.

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	**1,088**
Late Adjustments	25
Restated at 1 October 2020	**1,113**
Retirements	48
Deaths	(31)
Dependants' pensions	9
Pensioner members as at 30 September 2021	**1,139**

Included within pensioners is 1 (2020: 1) pensioner whose pensions are paid from annuities held in the name of the Trustee.

Deferred Pensioner Members	
As at 30 September 2020	**1,303**
Late Adjustments	(13)
Restated at 1 October 2020	**1,290**
Retirements	(48)
Deaths	(5)
Full commutations	(2)
Transfers out	(11)
Deferred pensioner members as at 30 September 2021	**1,224**

Investment Policy

Summary of the 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 February 2021), Ares Management ("Ares"), Baillie Gifford & Co. ("Baillie Gifford") (until November 2020), Insight Investment ("Insight"), Legal & General Investment Management ("LGIM"), M&G Investments ("M&G"), Royal London Asset Management ("RLAM"). The AVC providers are listed on page 1. 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 Travis Perkins Pension & Dependants' Benefits 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.

Investment strategy

The Trustee is aiming to achieve a funding level of 100% on the Technical Provisions assumptions (as set out in the Scheme'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 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 Scheme's investment managers to meet their performance targets without operating outside their target range of tracking error.

The target investment strategy of the Scheme at the 30 September 2021 year-end is 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 Scheme'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.

Following an improvement in the Scheme's Technical Provisions funding level to close to 100% the ISC agreed to de-risk the Scheme by disinvesting from the LGIM RAFI Global Equity (c.£8.0m) and Baillie Gifford LTGG (c.£16.5m) portfolios. The sale proceeds were invested in the RLAM Buy & Maintain Corporate Bonds (£7.0m) and Insight LDI (c.£17.5m) portfolios. The allocation to RLAM was intended to realign the asset allocation with target allocation, whilst the strategic asset allocation with Insight increased. Later in the year, the Scheme hit further de-risking triggers and in February 2021, disinvested from the Aberdeen Standard GARS (c.£17.8m) and Insight Broad Opportunities Fund (£18.2m), with the proceeds invested in the Insight LDI portfolio (c.£36.0m).

Investment Policy (continued)

Investment strategy (continued)

Following this de-risking action, the allocation to Global Equity funds reduced to 0% (2020: 5%), the allocation to Diversified Growth Funds reduced to 0% (2020: 10%), and allocation to the Insight LDI portfolio increased to 45% (2020: 30%).

In June 2021, the Scheme was estimated to be approaching broadly funded on the Gilts + 0.5% funding basis, triggering further de-risking actions. Shortly after year-end, the Trustee disinvested from M&G Secured Income Property Fund with a redemption of c. £15m invested in Insight during November 2021 and LGIM LPI Property Fund (which comprised the allocation to HLV Property) with a redemption of c £16m invested in Insight during December 2021.

Following the de-risking actions, the strategic asset allocation for HLV property reduced to 0% (2020:10%), the Insight LDI portfolio increased to 50% (2021: 45%) 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, pension fund Trustees are expected to consider their applicability to their 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 Defined Benefit (“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.

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.

Investment Policy (continued)

Responsible Investment and Corporate Governance (continued)

ESG issues and climate change represent risks that ought to be managed appropriately consistent with other risks faced by the Scheme. There may also be investment opportunities created by ESG factors but the Trustee recognises it may be difficult to access these within their current and likely future investment strategies given the nature of the Scheme's investment arrangements. However, this will be kept under review as the market and ESG offerings evolve.

The Scheme's assets are managed in both pooled and segregated arrangements and the Trustee accepts that the assets are subject to the investment managers' policies on ESG considerations (including climate change) relating to the selection, retention and realisation of investments. The 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 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 whilst ESG issues are still relevant to risk control, there is less opportunity to influence investee company behaviour compared to equity holdings, although where relevant managers are encouraged to use their position as lenders of capital to engage with companies.

The Trustee and ISC 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.

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

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

Investment Policy (continued)

Deployment of Investments

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	5.0	4.8
Baillie Gifford**	Long Term Global Growth	-	4.2
Insight	Segregated Liability Hedging	31.1	25.4
	Secured Finance	2.9	2.6
	Broad Opportunities Fund***	-	4.4
	High Grade Asset Backed Security	14.9	10.3
	Segregated Buy & Maintain Credit	16.9	15.7
LGIM	Global Equity (RAFI – Hedged)****	-	2.0
	HLV Property	4.1	3.8
M&G	Secured Property Income Fund	3.9	3.6
	Illiquid Credit Opportunities Fund II	5.2	4.8
RLAM	Segregated Buy & Maintain Credit	15.8	13.8
AVCs	Various	0.2	0.1
Total		**100.0**	**100.0**

Figures subject to rounding.

Note:

**Aberdeen Standard – Global Absolute Return Strategies was disinvested and closed in February 2021;*

***Baillie Gifford – Long Term Global Growth was disinvested and closed in November 2020;*

****Insight – Broad Opportunities Fund was disinvested and closed in March 2021;*

*****LGIM Global Equity (RAFI – Hedged) was disinvested and closed in November 2020.*

Investment Policy (continued)

Review of Investment Performance

For periods to 30 September 2021, the Scheme'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
DB Section Total	2.1	8.9	4.8	9.5
Benchmark	-2.6	6.9	4.4	8.5

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)

Custodial Arrangements

The Trustee is responsible for ensuring the Scheme'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 Scheme's global custodian for the Scheme'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 Scheme'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:

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

Source: investment managers and the Scheme's custodian.

[1] Northern Trust Fiduciary Services (Ireland) Limited are Insight's appointed custodian for the pooled Secured Finance and the High Grade ABS funds. The Scheme's units in the pooled Fund are held in a segregated account at the Scheme's appointed custodian, BNYM.

Investment Policy (continued)

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 ("IIPD"), which is available on request, provides details of the underlying benchmarks used to measure the performance of the investment managers.

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.

Investment Policy (continued)

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.

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 idea generation, portfolio construction, implementation and business management.

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

Some mandates are actively managed and the managers are incentivised through performance targets (an appointment will be reviewed following periods of sustained underperformance). The 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.

Investment Policy (continued)

Engagement and Monitoring (continued)

The ISC receives investment manager performance reports from the managers and XPS on a quarterly basis, which present performance information over 3 month, 1 year, 3 years and since inception. 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.

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 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.

Investment Policy (continued)

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 Internal Dispute Resolution (IDR) procedures in place for dealing with any disputes between the Trustee and the scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustee, details of which can be obtained by writing to the contact named below.

Contact for Further Information

Any enquiries or complaints about the Scheme, including requests from individuals about their benefits or for a copy of Scheme documentation, should be addressed to:
Hymans Robertson
45 Church Street
Birmingham
B3 2RT

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 investment report included in this annual report and financial statements forms part of the Trustee's report.

Signed for and on behalf of the Trustee of the BSS Group Pension Scheme:

Stella Girvin, Chair of Trustees

Graham Malpas, Trustee Director

29th March 2022

Section 3 – Independent Auditors’ Report to the Trustee of the BSS Group Pension Scheme

Report on the audit of the Financial Statements

Opinion

In our opinion the financial statements of BSS Group Pension 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 BSS Group Pension 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's are 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 Trustee

As explained more fully in the Statement of Trustee's responsibilities, the Trustee are 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 determine 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 are 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.

Auditor's 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 the Trustee, pension administration and Scheme Actuary about their own identification and assessment of the risks of irregularities.

Independent Auditors' Report to the Trustee of the BSS Group Pension 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 Pension 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 (Disclosure 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. These included the Scheme's regulatory requirements.

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 the Trustee, pension administrators and Scheme actuaries concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- Reading minutes of Trustee and subcommittee meetings and reviewing correspondence with the Pensions Regulator, if any.

Use of our report

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

Deloitte LLP

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

Section 4 – Financial Statements

Fund Account for year ended 30 September 2021

	Note	Total 2021 £000	Total 2020 £000
CONTRIBUTIONS AND BENEFITS			
Contributions	*4*	**3,028**	10,811
Benefits paid or payable	*5*	**(9,196)**	(7,857)
Payments to and on account of leavers	*6*	**(3,706)**	(4,015)
Other payments	*7*	**(85)**	(30)
Administrative expenses	*8*	**(486)**	(458)
		(13,473)	(12,360)
Net withdrawals from dealings with members		**(10,445)**	(1,549)
RETURNS ON INVESTMENTS			
Investment income	*10*	**9,867**	8,714
Change in market value of investments	*12*	**(8,466)**	7,478
Investment management expenses	*11*	**(960)**	(677)
Net returns on investments		**441**	15,515
Net (decrease)/increase in the fund during the year		**(10,004)**	13,966
Net assets of the fund at the start of the year		**389,269**	375,303
Net assets of the fund at the end of the year		**379,265**	389,269

The notes on pages 26 to 45 form part of these financial statements.

Financial Statements (continued)

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

	Note	2021 £000	2020 £000
Investment assets:			
Bonds	*12*	**510,407**	460,426
Pooled investment vehicles	*12*	**139,487**	177,642
Derivatives	*12*	**8,513**	3,627
Amounts receivable under Reverse Repurchase Agreements	*12*	**43,314**	45,825
AVC investments	*12*	**344**	275
Other investment balances	*12*	**2,596**	2,289
Cash deposits	*12*	**1,836**	1,270
Cash in transit	*12*	**10,744**	3,000
		717,241	694,354
Investment liabilities:			
Short-sold bonds	*12*	**(43,019)**	-
Derivatives	*12*	**(9,840)**	(7,721)
Amounts payable under Repurchase Agreements	*12*	**(286,566)**	(299,977)
		(339,425)	(307,698)
Total net investments		**377,816**	386,656
Current assets	*13*	**1,823**	2,896
Current liabilities	*14*	**(374)**	(283)
Total Net Assets (available for benefits) of the Scheme		**379,265**	389,269

The notes on pages 26 to 45 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 on page 6 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 BSS Group Pension Scheme:

Stella Girvin, Chair of Trustees

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 of the BSS Group Pension 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 and from other Schemes

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

3.5 Administrative and other expenses

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

3.6 Investment income

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

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

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

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

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

3.7 Investments

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

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

Investments are included at fair value.

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

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

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

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

3 ACCOUNTING POLICIES (CONTINUED)

3.7 Investments (continued)

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

Derivatives are stated at fair value.

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

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

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

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

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

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

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

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

3 ACCOUNTING POLICIES (CONTINUED)

3.8 Presentation Currency

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

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

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

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

There are no other key sources of estimation uncertainty.

4 CONTRIBUTIONS

	Total 2021	Total 2020
	£000	£000
Deficit funding	**2,211**	10,030
Employer additional contributions re expenses	**817**	781
	3,028	10,811

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 £458,333 per month payable in monthly instalments from 1 October 2020 to 31 December 2020. Under the previous Schedule of Contributions, the Scheme was paid £10,030,000 per annum payable in monthly instalments for the 21 month period from 1 January 2019 to 30 September 2020.

Under the Schedule of Contributions signed in May 2021, the Scheme's was due £696,000 per annum payable in monthly instalments to the calendar year ended 31 December 2021 from the Sponsoring Employer to cover the cost of Administration and Management expenses. Prior to this, the Scheme was due £885,996 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.

Included in the contributions above is £835,833 deficit and £73,833 additional expense contributions in respect of September 2020 which was received in the current Scheme year.

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	**6,885**	6,726
Commutations of pensions and lump sum retirement benefits	**2,276**	1,076
Lump sum death benefits	**35**	55
	9,196	7,857

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Total 2021 £000	Total 2020 £000
Individual transfers to other schemes	**3,706**	4,015

7 OTHER PAYMENTS

	Total 2021 £000	Total 2020 £000
Irrecoverable VAT	**85**	30

The principal employer reclaims VAT on behalf of the Scheme. Irrecoverable VAT arises due to the employer being restricted in the amount of VAT it can reclaim. During the year £85,000 was written off as irrecoverable (2020: £30,000).

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

8 ADMINISTRATIVE EXPENSES

	Total 2021 £000	Total 2020 £000
Administration and processing	**208**	202
Actuarial and consultancy fees	**151**	79
Audit Fee	**21**	23
Legal and other professional fees	**106**	154
	486	458

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

9 TAX

The BSS Group Pension 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 £000	Total 2020 £000
Income from pooled investment vehicles	**1,642**	2,023
Income from bonds	**8,873**	8,207
Interest on cash deposits	**(7)**	3
Bank interest	**-**	3
Annuity income	**6**	6
Interest payable on swaps or repurchase agreements	**(664)**	(1,570)
Rebate of investment manager fees	**17**	42
	9,867	8,714

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

11 INVESTMENT MANAGEMENT EXPENSES

	Total 2021 £000	Total 2020 £000
Administration, management and custody	**677**	478
Investment Consultancy	**283**	199
	960	677

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

12 INVESTMENTS

12.1 INVESTMENT RECONCILIATION

	Opening value £000	***Purchase cost and derivative payments*** £000	***Sales proceeds and derivative receipts*** £000	***Change in market value*** £000	***Closing value*** £000
Bonds	460,426	60,596	(30,680)	(22,954)	**467,388**
Pooled investment vehicles	177,642	103,848	(149,856)	7,853	**139,487**
Derivatives	(4,094)	7,857	(11,613)	6,523	**(1,327)**
AVC investments	275	59	(102)	112	**344**
	634,249	172,360	(192,251)	(8,466)	**605,892**
Cash deposits	1,270				**1,836**
Cash in transit	3,000				**10,744**
Repurchase agreements	(254,152)				**(243,252)**
Other investment balances	2,289				**2,596**
TOTAL NET INVESTMENTS	386,656				**377,816**

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
Equities	-	24,182
Property	30,076	28,434
Global bonds	67,115	50,028
Diversified growth	-	34,260
Illiquid credit	19,813	18,696
Private debt	18,799	18,373
Liquidity	3,684	3,669
	139,487	177,642

12.3 ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) INVESTMENTS

The Trustee holds assets invested separately from the main defined benefit section fund in the form of a managed fund. These secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	2021	2020
	£000	£000
Clerical Medical	167	-
Utmost Life	-	61
Prudential	177	214
	344	275

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 its 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 as far as possible the Liability Driven Investment (LDI) portfolio of the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements. The Trustee has entered into OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match 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	**8,244**	**(8,555)**	**(311)**	3,337	(7,368)	(4,031)
Forward foreign exchange	**269**	**(1,285)**	**(1,016)**	290	(353)	(63)
	8,513	**(9,840)**	**(1,327)**	3,627	(7,721)	(4,094)

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	106	140,890	2022 to 2049	8,244	(8,555)
Total 2021				**8,244**	**(8,555)**
Total 2020				3,337	(7,368)

At 30 September 2021, collateral of £2.7m (2020: £5.5m) was pledged and collateral of £0.8m (2020: £nil) was held in relation to outstanding swap contracts. Collateral pledged consisted of £2.7m (2020: £5.5m) of UK Government bonds. Collateral held consisted of £0.8m (2020: £nil) of cash.

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
Bought GBP sold EURO	£7,646	(€8,924)	Oct 21	-	(27)
Bought USD sold GBP	$13,676	(£10,145)	Oct 21	-	(3)
Bought GBP sold USD	£59,892	($82,449)	Oct 21	-	(1,255)
Other	£269	-	Jan 22	269	-
Total 2021				**269**	**(1,285)**
Total 2020				290	(353)

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 £000	**2021 % of net assets**	2020 £000	2020 % of net assets
Insight High Grade ABS Fund	**56,526**	**14.9**	40,002	10.3
M&G - Illiquid Credit Opportunities Fund	**19,814**	**5.2**	18,696	4.8
Ares Secured Income Fund	**18,799**	**5.0**	18,372	4.7

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.

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

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 reverse repurchase agreements	**43,314**	45,825
Contracts held under repurchase agreements	**(286,566)**	(299,977)
	(243,252)	(254,152)

At 30 September 2021, collateral of £4.8m (2020: £1.9m) was pledged in relation to outstanding repurchase agreements, and collateral of £3.3m (2020: £0.7m) 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	**1,765**	1,267
Cash Deposits – Overseas	**71**	3
Cash in transit	**10,744**	3,000
	12,580	4,270

	2021	2020
Other investment balances	**£000**	£000
Accrued investment income	**2,596**	2,289

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 which the entity can access at the assessment dates.
Level 2	Inputs other than quoted prices included within Level 1 which are observable (i.e. developed for the asset or liability, either directly or indirectly).
Level 3	Inputs which 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**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Bonds	**-**	**467,388**	**-**	**467,388**
Pooled investment vehicles	**3,684**	**97,191**	**38,612**	**139,487**
Derivatives	**(1,016)**	**(311)**	**-**	**(1,327)**
AVC investments	**-**	**300**	**44**	**344**
Cash	**1,836**	**-**	**-**	**1,836**
Cash in transit	**10,744**	**-**	**-**	**10,744**
Other investment balances	**2,596**	**-**	**-**	**2,596**
Repurchase agreements	**-**	**(243,252)**	**-**	**(243,252)**
	17,844	**321,316**	**38,656**	**377,816**

As at 30 September 2020 (reclassified)	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Bonds	-	460,426	-	460,426
Pooled investment vehicles	3,668	136,906	37,068	177,642
Derivatives	(60)	(4,034)	-	(4,094)
AVC investments	-	170	105	275
Cash	1,270	-	-	1,270
Cash in transit	3,000	-	-	3,000
Other investment balances	2,289	-	-	2,289
Repurchase agreements	-	(254,152)	-	(254,152)
	10,167	339,316	37,173	386,656

Repurchase agreements are 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 25.

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

12.10 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. 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)

12.10 INVESTMENT RISKS (CONTINUED)

Market Risk

Currency Risk

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

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

During the year, the Scheme had exposure to indirect currency risk through its holdings in the global equity fund managed by Baillie Gifford, which may hold underlying investments denominated in an unhedged foreign currency. However, in order to reduce currency risk within the equity portfolio as a whole (to a level with which the Trustee is comfortable), the Scheme invested in the currency hedged version of the Legal and General ("L&G") Global Equity (RAFI 3000) Fund. In November 2020, the Scheme disinvested from both funds.

The Scheme also 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 exposed the Scheme to indirect currency risk. The Scheme redeemed its full position in the Diversified Growth Funds in Q1 2021. The Secured Finance funds consists of underlying investments in debt and debt related securities, loan investments and structured financial instruments which may be issued world-wide, denominated in any currency and may/ may not be listed on recognised exchanges and markets. The funds are Sterling priced, however the managers may use underlying currency exposures as part of their investment strategy.

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

Interest Rate Risk

The Scheme is subject to direct interest rate risk because some of the Scheme's investments are held in government bonds, repurchase agreements, interest rate and bond derivatives and cash in 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 (including High-Grade ABS) of 45.0% of the total investment portfolio (2020: 30%), 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)

12.10 INVESTMENT RISKS (CONTINUED)

Interest Rate Risk (continued)

At the year end, the liability hedging portfolio, managed by Insight Investment Management (Global) Limited ("Insight") represented c.46.2% of the total investment portfolio (2020: 36.2%). 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.96.6% (2020: c.92.8% on gilts +0.5% p.a.) and therefore broadly in line with the Trustee's target of 97.0%. The hedge ratio of the Scheme's fixed liabilities on the Trustee's liability hedging basis (gilts +0.5% p.a.) was c.95.9% (2020: c.88.5% on gilts +0.5% p.a.) and therefore broadly in line with the Trustee's target of 97.0%. The interest rate sensitivity within the Royal London Asset Management ("RLAM") Buy & Maintain credit portfolio is taken into account by Insight in the liability 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.

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

Other Price Risk

Other price risk arises principally in relation to the Scheme's return seeking assets. During the year, the Scheme was exposed to other price risk though its investments in Global Equity funds, Diversified Growth funds, Long Lease Property, Secured Finance and High-Grade ABS, through underlying investments in pooled investment vehicles.

The Scheme has set a target asset allocation of 25.0% of investments being held in return seeking investments (2020: 40%). The High-Grade ABS and Buy & Maintain Credit assets are not considered by the Trustee to be part of the return seeking portfolio, however they do exhibit return seeking characteristics by taking credit risk. 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 this exposure to overall price movements by constructing a diverse portfolio of investments across various markets and asset classes. At the year end, the Scheme's return seeking assets represented c.21.1% of total assets (2020: 34.9%) broadly in line with the Trustee's strategic 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.

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

12.10 INVESTMENT RISKS (CONTINUED)

Credit Risk (continued)

As at year end, the Scheme had exposure to investment grade bonds, related derivatives and cash which amounted to c.£483.0m (2020: c.£444.5m) and c.£1.2m of non-investment grade corporate bonds (2020: c.£2.2m) in segregated vehicles. The Scheme is directly exposed to credit risk arising from these pooled investment vehicles and is indirectly exposed to credit risks arising on the underlying investments held by these pooled investment vehicles.

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

	2021	2020
	£000	£000
Unit Linked Insurance Contracts	**15,349**	53,633
Qualifying Investor Alternative Investment Fund	**30,672**	28,721
Authorised Unit Trusts	**14,747**	33,263
Open Ended Investment Company	**59,921**	43,653
Shares of Limited Liability Partnerships	**18,798**	18,372
	139,487	177,642

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.

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

12.10 INVESTMENT RISKS (CONTINUED)

Credit Risk (continued)

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.

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. In the case of Long Lease Property, the credit risk arises from 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£139.4m (2020: c£174.2m).

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)

12.10 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)

13 CURRENT ASSETS

	Total 2021 £000	Total 2020 £000
Balance at bank	**1,254**	2,395
Accrued contributions	**58**	-
Due from employer in respect of VAT	**18**	25
Payroll paid in advance	**493**	476
	1,823	2,896

14 CURRENT LIABILITIES

	Total 2021 £000	Total 2020 £000
Administrative expenses	**253**	177
Benefits payable	**121**	19
PAYE due to HMRC	**-**	87
	374	283

15 RELATED PARTY TRANSACTIONS

One of the Trustee Directors receives a pension from the Scheme (2020: one).

During the year Trustees were paid £94,789 (2020: £86,178) 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.

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£15m invested in Insight during November 2021 and LGIM LPI Property Fund (which comprised the allocation to HLV Property) with a redemption of c£16m 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 Trustee 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 to the BSS Group Pension Scheme for the Scheme year ended 30 September 2021 which is set out on the following page.

Opinion

In our opinion, except for the effects of the departure from the Schedules of Contributions as stated within the basis for qualified Statement about Contributions paragraph, 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 10 December 2019 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.

Basis for qualified Statement about Contributions

As noted in the Summary of Contributions, during the Scheme year, deficit and additional contributions for the months of October 2020 through to May 2021 were paid between 27 and 30 days later than the due dates set out in the Schedules of Contributions.

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 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 Schedules 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 Schedules 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 Scheme actuary on 10 December 2019, 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 Schedule in the Auditors' Statement about Contributions.

Summary of Contributions payable in the year

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

	£000
Required by the schedules of contributions	
Deficit funding	**2,211**
Employer additional contributions re expenses	**817**
Total (as per Fund Account)	**3,028**

Included in the contributions above is £835,833 deficit and £73,833 additional expense contributions in respect of September 2020 which was received in the current Scheme year.

As disclosed on page 3 deficit and additional expense contributions for the months of October 2020 through to May 2021 were paid between 27 and 30 days later than the due dates set out in the Schedules of Contributions. This has resulted in a qualified Statement about Contributions on page 46.

The summary was approved by the Trustee of the BSS Group Pension 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

BSS Group Pension Scheme

Schedule of Contributions – Actuarial Certificate

Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 30 September 2020 can be expected to be met by the end of the period specified in the recovery plan dated May 2021.

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.

9 Implementation Statement

Statement of Compliance with the Stewardship Policy of BSS Group Pension 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 BSS Group Pension Scheme (the "Scheme") has followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities have been followed during the year ended 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.

Statement of Investment Principles

During 2019, new regulatory requirements were introduced which required the Trustees of all schemes to explain how 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 trustees' 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 Trustees' policies
- How the trustees monitor 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.

Investment-related activity during the reporting year

Governance activities

During the reporting year, XPS Pensions Group ("XPS") were appointed as Investment Advisers for the Scheme. Further to the appointment, the Trustee, with the assistance of their Investment Adviser, undertook a review of their investment strategy. At the year end, the Trustee, together with the Investment Adviser, continued to explore potential changes to the Scheme's investment strategy.

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.

Asset allocation/ fund reviews

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

During November 2020, the Trustee redeemed the holdings in the Baillie Gifford Long term global growth fund and LGIM RAFI Global Equity Fund as a result of de-risking triggers. The proceeds from which were invested into the Insight Segregated

Implementation Statement (continued)

LDI portfolio and the RLAM Buy & Maintain portfolio. During February 2021, the Trustee redeemed the holdings in the Abrdn GARS Fund and during March 2021 the Insight Broad Opportunities Fund. The proceeds from which were invested into the Insight Segregated LDI portfolio.

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 .
- Taskforce for Climate Related Financial Disclosures (TCFD) Framework.
- Bulk Annuity Market.

Adherence to the Trustee's policies

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

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.	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.
Investment Objectives. The Trustee's primary investment objective is to invest the Scheme's 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.	The Trustee aims to take on those risks for which they expect to be rewarded over time, in the form of excess returns. The Trustee believes that diversification limits the impact of any single risk. The Trustee regards the funds held 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. The Trustee is satisfied that they are following this policy in full.

Implementation Statement (continued)

Risk and Return. The Trustee targets a return consistent with the assumptions made in determining the scheme's Technical Provisions and Recovery Plan.	The Trustee receives quarterly reporting from its Investment Adviser, XPS, 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 IC meeting when appropriate. This quarterly monitoring provided by XPS furnishes the Trustee with the underlying asset class/sector exposures to monitor any unintended risk being taken. The Trustee is satisfied that they are following this policy to a reasonable extent. The Trustee is satisfied that they are following this policy in full.
Diversification of Risks. The Trustee and ISC seek to spread risks across a range of different sources. The Trustee and ISC aims to take on those risks for which they expect to be rewarded for over time, in the form of expected returns. The Trustee and ISC believe that diversification limits the impact of any single risk.	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 receives quarterly reporting from its Investment Adviser, XPS, which includes the asset allocation and compares this with the desired long term strategic allocation. The Trustee is satisfied that they are following this policy in full.

Implementation Statement (continued)

Investment Manager Appointment, Engagement and Monitoring. The Trustee policy is in relation to: - Aligning manager appointments with investment strategy - Evaluating investment manager performance	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 provided by XPS furnishes the Trustee with the underlying asset class/sector exposures to monitor any unintended risk being taken. The Trustee is satisfied that they are following this policy in full.
Portfolio Turnover Costs. The Trustee does not actively monitor the portfolio turnover costs The ISC will continue to monitor industry improvements concerning the reporting of portfolio turnover costs.	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.
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.	During the reporting year, the Scheme's investments in the LGIM RAFI Global Equity Fund, Baillie Gifford Long Term Global Growth Fund, Insight Broad Opportunities Fund and Abrdn Global Absolute Return Strategies Fund were divested from as a de-risking step to reduce the risk and return level in line with the stronger funding position. The proceeds from these disinvestments were invested into the matching assets. The Trustee is satisfied that they are following this policy in full.

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.	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 into consideration manager ESG ratings. 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.	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.	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.

Voting activity

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

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

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.

Implementation Statement (continued)

Manager	Abrdn
Voting activity date range:	01/10/2020 –24/02/2021
Fund name	Global Absolute Return Strategies
Number of company meetings the manager was eligible to vote at over the year	43
Number of resolutions the manager was eligible to vote on over the year	449
Percentage of resolutions the manager voted on	97.8%
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	94.1%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	5.9%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	3.2%
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, therefore they are unable to respond directly to this part of the request. Instead Abrdn believe they go beyond guidelines and endeavour to disclose all their voting decisions for all of their active and passive equity holdings. They provide full transparency of their voting activity on their publicly available website and fund specific voting reports on request. Each individual scheme will have their own views about which are the most significant votes - influenced by their sponsor, industry, membership and many other factors.	

Abrdn GARS Fund votes	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Maxim Integrated Products, Inc.	Alstom SA	Mediobanca SpA	Future Plc	AJ Bell Plc
Date of Vote	08/10/2020	29/10/2020	28/10/2020	14/01/2021	27/01/2021
Summary of the resolution	Advisory Vote on Golden Parachutes	Elect Caisse de Depot et Placement du Quebec as Director	Elect Supervisory Board Members	Approve Matters Relating to the Acquisition of Goco Group Plc	Re-elect Leslie Platts 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	N/A	N/A	N/A	N/A	N/A

Implementation Statement (continued)

company ahead of the vote?					
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 transaction.	Abdn were aware that the gender diversity of this board was only 17 percent which fell short of their expectations. Leslie Platts, Chair of the Nomination Committee, was to step down and the board appointed its SID to conduct a succession planning and board recruitment process that would also include the appointment of two new NEDs.
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	*Please see 'What process manager follows for determining "most significant" votes' section below.
Number of resolutions the manager was eligible to vote on over the year	
Percentage of resolutions the manager voted on	
Percentage of resolutions the manager abstained from	
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	

Implementation Statement (continued)

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 the 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.

Insight did not provide any significant voting activity due to the nature of the underlying funds and as explained in the 'What process manager follows for determining "most significant" votes' section outlined above.

Manager	Baillie Gifford
Voting activity date range:	01/01/2020 –31/12/2020
Fund name	Long Term Global Growth Fund
Number of company meetings the manager was eligible to vote at over the year	34
Number of resolutions the manager was eligible to vote on over the year	381
Percentage of resolutions the manager voted on	100.0%
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	97.1%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	2.9%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	N/A – See managers use of proxy voting services
Manager's policy on consulting with clients before voting All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with investment managers. They do not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote, then they will engage with them on this. If a vote is particularly contentious, they may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.	
How has the manager made use of the proxy voting services Whilst Baillie Gifford are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource any of their stewardship activities or follow or rely upon their recommendations when deciding how to vote on their clients' shares. All client voting decisions are made in-house. They vote in line with their in-house policy and not with the proxy voting providers' policies. Baillie Gifford also have specialist proxy advisors in the Chinese and Indian markets to provide them with more nuanced market specific information.	
What process manager follows for determining "most significant" votes The list below is not exhaustive, but exemplifies potentially significant voting situations:	

Implementation Statement (continued)

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

Baillie Gifford did not provide voting activity from 30/09/2020 until the point of disinvestment in November 2020, so the full 12 months voting activity has been shown from 01/01/2020 – 31/12/2020

BG LTGGI Fund votes	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Amazon.com	Facebook	Kering	Tesla Inc	Tesla Inc
Date of Vote	27/05/2020	27/05/2020	16/06/2020	22/09/2020	22/09/2020
Summary of the resolution	Shareholder Resolution - Governance	Shareholder Resolution - Governance	Remuneration – Report	Shareholder Resolution - Governance	Shareholder Resolution - Social
How the manager voted	For	For	Against	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes	Yes	Yes	No	No
Implications of the outcome	Amazon provides good disclosure of its direct political expenditures and there is board level oversight of its activities by the audit committee. However, areas for improvement relate to their indirect spending through trade associations, coalitions and charities. Greater transparency of all political expenditures and lobbying would	The board is currently elected according to a plurality voting standard. Majority voting raises the threshold for re-election and therefore greater accountability. Baillie Gifford will continue to assess similar proposals in the future.	Baillie Gifford opposed a resolution related to remuneration due to concerns with the link between pay and performance. Baillie Gifford opposed backwards looking remuneration proposals at the AGM and supported forward looking remuneration proposals. Baillie Gifford will continue to engage on	Baillie Gifford supported a shareholder proposal to eliminate supermajority voting requirements from the company's bylaws and to adopt a simple majority voting standard. Baillie Gifford supported this change at the 2019 meeting, which was put forward by the company. The resolution	Tesla currently does not report on its grievance mechanism for employees or provide the racial, ethnic and gender breakdown of its workforce. Baillie Gifford believe peers provide better disclosure of this information and have started to move away from the use of mandatory arbitration. Baillie Gifford will continue to

Implementation Statement (continued)

	enable shareholders to assess alignment with Amazon's values and corporate goals.		remuneration with the company.	received >99% support, but did not pass because it failed to have 2/3 of shares outstanding voted. A majority of shareholders supported this resolution and therefore Baillie Gifford hope to see change.	monitor this topic in their discussions with the company.
Criteria on which the vote is considered "significant"	This resolution is significant because it was submitted by shareholders and received greater than 20% support.	This resolution is significant because it was submitted by shareholders and received greater than 20% support.	This resolution is significant because Baillie Gifford opposed remuneration.	This resolution is significant because it was submitted by shareholders and received greater than 20% support.	This resolution is significant because it was submitted by shareholders and received greater than 20% support.

Manager	LGIM
Voting activity date range:	01/10/2020 –30/09/2021
Fund name	RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund
Number of company meetings the manager was eligible to vote at over the year	3,320
Number of resolutions the manager was eligible to vote on over the year	40,443
Percentage of resolutions the manager voted on	99.7%
Percentage of resolutions the manager abstained from	0.7%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	80.9%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	18.4%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	13.4%

Manager's policy on consulting with clients before voting

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients. Their voting policies are reviewed annually and take into account feedback from their clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

How has the manager made use of the proxy voting services

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of

Implementation Statement (continued)

ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

They retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

What process manager follows for determining "most significant" votes

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure they continue to help their clients in fulfilling their reporting obligations. They also believe public transparency of their vote activity is critical for their clients and interested parties to hold them to account.

For many years, LGIM has regularly produced case studies and/or summaries of LGIM's vote positions to clients for what they deemed were 'material votes'. They are evolving their approach in line with the new regulation and are committed to provide their clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

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

They provide information on significant votes in the format of detailed case studies in their quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. They also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

LGIM did not provide voting activity from September 2020 up until the point of disinvestment in November 2020, so the full 12 month voting activity from 30/09/2020 – 30/09/2021 has been included.

LGIM RAFI Fund votes	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	ExxonMobil	JPMorgan Chase & Co.	AT & T	Wells Fargo & Company	Bank of America Corporation
Date of Vote	26/05/2021	18/05/2021	30/04/2021	27/04/2021	20/04/2021

Implementation Statement (continued)

Summary of the resolution	Resolutions 1.1, 1.2, 1.3, 1.4, 1.9, 1.12 (Elect directors), 4 (require independent board chair)	Resolution 1c Elect Director Todd A. Combs	Resolution 3 - Advisory Vote to Ratify Named Executive Officers' Compensation	Resolution 7 Report on Racial Equity Audit	Resolution 1i Elect Director Brian T. Moynihan
How the manager voted	LGIM supported resolutions 1.1 to 1.4; they opposed resolutions 1.9 and 1.12; they supported resolution 4.	Against	Against	LGIM voted for the resolution (management recommendation: against).	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.				
Implications of the outcome	In 2020, LGIM announced their opposition to the re-election of the company's chair/CEO as they believe the separation of roles provides a better balance of authority and responsibility. As the roles currently remain combined, they therefore voted AGAINST resolution 1.9 at the 2021 AGM. LGIM acknowledges steps taken by the company around carbon disclosure and targets, but they remain concerned with the strength of Exxon's sustainability and capital-allocation strategy. LGIM will continue to engage with the company and monitor progress.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they are voting against all combined board chair/CEO roles. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM identified serious issues with the structure and quantum of AT&T's executive remuneration. In particular, the $48 million sign-on equity award to the incoming CEO of its Warner Media division and a $9 million retention grant to the General Counsel of $9 million USD. The awards and payments made by AT&T did not meet LGIM's expectations of fair and balanced remuneration both in respect to their magnitude and the lack of performance criteria. LGIM will continue to seek to engage with the company	LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM are voting against all combined board chair/CEO roles. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Implementation Statement (continued)

			and monitor progress.		
Criteria on which the vote is considered "significant"	LGIM consider this vote to be significant as LGIM took the rare step of publicly pre-declaring it before the shareholder meeting. LGIM decide to pre-declare their vote intention for a number of reasons, including as part of their escalation strategy, where they consider the vote to be contentious, or as part of a specific engagement programme.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	LGIM considers this vote to be significant as a majority of investors (51.7%) voted against the advisory resolution, sending a strong signal to management that its remuneration policy needs revision.	LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).