BSS Group Pension Scheme

Annual Report and Financial Statements

30 September 2020

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.

The individuals who served as a Director of BSS GPS Trustee Limited during the year are set out below:

Independent Chair

Mrs S Girvin

Employer nominated	**Member nominated**
Mrs N McGowan (previously Bartley)	Mr J Baker
Mr J Harkness	Mr G Malpas

Secretary to the Trustees	Mr A Mills, Capital Cranfield Pension Trustees Limited
Investment Subcommittee Chair	Mr A Whalley

Advisers

The advisers to the Trustee are set out below:

Actuary	C Rice FIA of Capita Employee Solutions (resigned 31 January 2020) R Shackleton FIA of Hymans Robertson LLP (appointed 7 February 2020)
Independent Auditors	Deloitte LLP
Legal Adviser	Gowling WLG (UK) LLP
Administrator	Capita Employee Solutions (until 3 July 2020) Hymans Robertson LLP (from 3 July 2020)
Investment Consultant	Mercer Limited (until 31 March 2021) XPS Pension Group (from 1 April 2021)
Investment Managers	Aberdeen Standard Investments Ares Management LLC (appointed 1 October 2019) Baillie Gifford & Co Insight Investment Management (Global) Limited Legal & General Investment Management Ltd M&G Alternatives Investment Management Limited Royal London Asset Management
Bankers	National Westminster Bank PLC (until 9 December 2020) Barclays Bank UK PLC (from 26 June 2020)
AVC Providers	The Prudential Assurance Company Limited Utmost Life and Pensions Limited (from 1 January 2020), previously Equitable Life Assurance Society
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 2020.

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 provides 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 2020.

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 one meeting and four conference calls were held to consider matters relating to the Scheme.

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 increased from £375,303,000 at 30 September 2019 to £389,269,000 at 30 September 2020. The increase in net assets is accounted for by:

	2020 £000	2019 £000
Member related income	10,811	11,216
Member related payments	(12,360)	(15,946)
Net withdrawals from dealings with members	**(1,549)**	**(4,730)**
Net returns on investments	15,515	63,651
Net increase in fund	**13,966**	**58,921**
Opening net assets available for benefits	375,303	316,382
Closing net assets available for benefits	**389,269**	**375,303**

Contributions and Actuarial Position

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 2017 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 Plan, this being an amount payable over a fixed term of years over which the deficit will be eliminated, taking into consideration the strength of the employer's covenant – that is, the ability of the employer to continue to contribute to the balance of the cost of the Scheme.

Following the actuarial valuation on 30 December 2017, a Schedule of Contributions was agreed and certified by the Scheme Actuary on 16 December 2019. The Schedule of Contributions was updated and certified on 19th January 2021.

On 31 August 2018 the Scheme was closed to future accrual with all active members becoming deferred members at that date.

Trustee’s Report (continued)

Changes to the Scheme

During the year C Rice resigned as Scheme Actuary on 31 January 2020 and R Shackelton was formally appointed by the Trustees as his replacement on 7 February 2020. During his resignation, C Rice confirmed that he was not aware of any circumstances connected with his resignation which, in his opinion, affected the interest of members, prospective members or beneficiaries.

During the year, Hymans Robertson replaced Capita Employee Solutions as the Scheme Administrator.

Pension Increases

In accordance with the Scheme rules, pensions were increased on 1 April 2020.

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 2020 increase a rate of 1.7% 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 5%, referencing the previous November’s rate. For the April 2020 increase a rate of 2.2% 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 2020 increase a rate of 2.2% 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.

Transfer Values Paid

In March 2002, the Trustee agreed that no new requests for transfers into the Scheme would be accepted.

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)

COVID-19

During the year ended 30 September 2020 the emergence and spread of the new Coronavirus pandemic caused disruption and volatility in the financial markets. The Trustee will continue to monitor developments and the potential impact on the Scheme investments.

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 the spread of a novel coronavirus known as 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.

BREXIT

The UK's membership of the European Union (EU) ended on 31 January 2020, although UK legal obligations based on EU law will largely remain the same until the end of transition period on 31 December 2020. During this transition period, the Trustee continues to monitor progress carefully and it is taking appropriate professional advice on the expected impact on the investment portfolio.

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 2017. This showed that on that date:

The value of the Technical Provisions was:	£343 million
The value of the assets was:	£304 million

The full actuarial valuation of the Scheme as a 30 September 2020 is underway and is expected to be finalised and signed before 31 December 2021.

The method and significant actuarial assumptions used to determine the Technical Provisions as at 30 September 2017 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 0.5% 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: based on the appropriate implied RPI inflation rate taken from the Bank of England's implied RPI inflation curve, applied to the expected cash flow in each future year. Until 30 September 2025 a deduction of 0.1% pa is applied to the implied RPI inflation rate. Thereafter, no deduction is applied.

Future Consumer Price Inflation: the assumption for future retail price inflation less 1.00% 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.

Mortality: for the periods before and after retirement, 100% of the S2PMA base table for males and 90% of the S2PFA base table for females with future mortality improvements based on the core CMI 2016 projections with a smoothing parameter of 7.5 and long term rate of 1.5% per annum.

Trustee's Report (continued)

Scheme Membership

The reconciliation of the Scheme membership during the year ended 30 September 2020 is shown below:

Pensioner Members (including spouses and dependants)	
As at 30 September 2019	**1,053**
Late Adjustments	25
Retirements	23
Deaths	(21)
Dependant's pensions	8
Pensioner members as at 30 September 2020	**1,088**

Included within pensioners is 1 (2019: 1) pensioner whose pensions are paid from annuities held in the name of the Trustee.

Deferred Pensioner Members	
As at 30 September 2019	**1,370**
Late Adjustments	(28)
Retirements	(23)
Deaths	(6)
Full commutations	(1)
Transfers out	(9)
Deferred pensioner members as at 30 September 2020	**1,303**

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"), Ares Management ("Ares"), Baillie Gifford & Co. ("Baillie Gifford"), 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 Implementation Policy Document ("IIPD"). Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal market sectors, the day-to-day management of the asset portfolio of the Scheme, including the full discretion for stock selection, is the responsibility of the investment managers.

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

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. 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 over the period to 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.

Investment Policy (continued)

Current Strategy

The target investment strategy of the Scheme at the 30 September 2020 year-end is as follows:

- 40.0% in return seeking assets comprising Global Equities, High Lease to Value ("HLV") property, Diversified Growth funds 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.
- 30.0% 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.

In February 2020, within the Insight Liability Hedging portfolio, the Trustees introduced a collateral management framework, to include an investment into the Insight High Grade ABS fund, with the objective of investing excess collateral in a more efficient manner.

Post year end, following an improvement in the Scheme's Technical Provisions funding level to close to 100% the ISC agreed to de-risk the Scheme by fully redeeming the Scheme's holdings in the LGIM RAFI Global Equity (c.£8.0m) and Baillie Gifford LTGG (c.£16.0m) portfolios. The sale proceeds were invested in the RLAM Buy & Maintain Corporate Bonds (£7.0m) and Insight LDI (c.£17.0m) portfolios. The allocation to RLAM was to rebalance towards the benchmark allocation only, while the increase in the allocation to Insight was a strategic change in benchmark.

Following the de-risking action post year end, the allocation to Global Equity funds was reduced to 0% (2019: 5%), whilst the strategic allocation to the liability hedging portfolio increased to 35% (2019: 30%).

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. Over the year, the Investment Sub-Committee ("ISC") reviewed the Scheme's compliance with the Myners principles on the Trustee's behalf and considers that the Scheme's investment policies and their implementation are broadly in keeping with the revised principles for DB Schemes – this was last reviewed in August 2020.

Investment Policy (continued)

Responsible Investment and Corporate Governance

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

ESG issues and climate change represent risks that ought to be managed appropriately consistent with other risks faced by the Scheme. There may also be investment opportunities 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 the Diversified Growth funds which generally invest in broad markets rather than individual stocks. The Scheme also has a high allocation to 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.

Investment Policy (continued)

Responsible Investment and Corporate Governance (continued)

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

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 our 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).

Deployment of Investments

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

Manager	Fund	30 September 2020 (%)	30 September 2019 (%)
Aberdeen Standard	Global Absolute Return Strategies	4.5	4.4
Ares	Secured Income Fund	4.8	4.9
Baillie Gifford	Long Term Global Growth*	4.2	2.3
Insight	Segregated Liability Hedging	25.4	39.6
	Secured Finance	2.6	2.7
	Broad Opportunities Fund	4.4	4.8
	High Grade Asset Backed Security**	10.3	-
	Segregated Buy & Maintain Credit	15.7	12.5
LGIM	Global Equity (RAFI – Hedged)*	2.0	2.3
	HLV Property	3.8	3.8
M&G	Secured Property Income Fund	3.6	3.8
	Illiquid Credit Opportunities Fund II	4.8	5.2
RLAM	Segregated Buy & Maintain Credit	13.8	13.7
AVCs	Various	0.1	-
Total DB Section		**100.0**	**100.0**

* Mandates terminated during November 2020.

** Invested from February 2020.

Figures subject to rounding.

Investment Policy (continued)

Review of Investment Performance

For periods to 30 September 2020, the Scheme's estimated total investment returns are set out in the table below. All returns are gross of investment management fees.

	Year to 30 September 2020 (% p.a.)	
	1y	3y
Scheme's Total Investments	4.8	9.5
Benchmark	4.4	8.5

Source: Estimated by Mercer, based on data from the Scheme's investment managers.

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

- The Baillie Gifford Long Term Global Growth Fund and Aberdeen Standard Global Absolute Return Strategies Fund are daily priced and traded;
- The LGIM Global Equity (RAFI) Fund is weekly priced and traded;
- 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;
- 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 Insight segregated Broad Opportunities Fund holds daily priced and traded units of the Broad Opportunities Fund; and
- 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
Baillie Gifford	Long Term Global Growth	Pooled	BNYM
LGIM	Global Equity (RAFI)	Pooled	HSBC / Citibank NA[1]
	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
Aberdeen Standard	Global Absolute Return Strategies	Pooled	Citibank NA, Securities and Fund Services
Insight	Broad Opportunities Fund	Pooled	BNYM [2]
	Secured Finance	Pooled	BNYM [2]
	Buy & Maintain Credit	Segregated	BNYM
	Liability Hedging	Segregated	BNYM
	High Grade ABS Fund	Pooled	BNYM [2]
RLAM	Buy & Maintain Credit	Segregated	BNYM
Ares	Secured Finance	Pooled	BNYM

Source: investment managers and the Scheme's custodian.

[1] HSBC are LGIM's appointed custodian for UK assets and Citibank are the appointed custodian for overseas assets.

[2] State Street Custodial Services (Ireland) Ltd is Insight's appointed custodian for the pooled Broad Opportunities Fund; 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 has prepared a Statement of Investment Principles ("The SIP"), which sets out the principles governing how investments are chosen. A copy is available on request from:

Andy Mills
Capital Cranfield Trustees
Unit 15
Poplars Court
Lenton Lane
Nottingham
NG7 2RR
Email: travisperkins@cctl.co.uk

From 1 October 2020, new disclosure regulations came into effect which requires pension schemes to publish the SIP on a publically available website. A copy of the SIP is also available from:

https://www.travisperkinsplc.co.uk/about-us/governance

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 2020, 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 audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations requires the Trustee to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- Show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and;
- Contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for:

- Assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so; and
- Making available each year, commonly in the form of a trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the Statement of Trustee's Responsibilities accompanying the Trustee's Summary of Contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

Statement of Trustee's Responsibilities in Respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that, once required, there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the Schedule.

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.

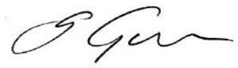
Contact details for the services are as follows:

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 Trustee

Graham Malpas, Trustee Director

31st March 2021

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 2020, 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 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 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

We are required by ISAs (UK) to report in respect of the following matters where:

- The Trustee's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- The Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditors’ Report to the Trustee of the BSS Group Pension Scheme (continued)

Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

Responsibilities of Trustee

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

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

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 Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Independent Auditors’ Report to the Trustee of the BSS Group Pension Scheme (continued)

Scope of the Audit of the Accounts

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 Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor’s report.

Use of our report

This report is made solely to the Trustee, as a body in accordance with the Pensions Act 1995 and regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to it 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 pension Scheme and the pension 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 31 March 2021

Section 4 – Financial Statements

Fund Account for year ended 30 September 2020

	Note	**Total 2020 £000**	Total 2019 £000
CONTRIBUTIONS AND BENEFITS			
Contributions	*4*	**10,811**	11,216
Benefits paid or payable	*5*	**(7,857)**	(7,609)
Payments to and on account of leavers	*6*	**(4,015)**	(7,872)
Other payments	*7*	**(30)**	-
Administrative expenses	*8*	**(458)**	(465)
		(12,360)	(15,946)
Net withdrawals from dealings with members		**(1,549)**	(4,730)
RETURNS ON INVESTMENTS			
Investment income	*10*	**8,714**	7,384
Change in market value of investments	*12*	**7,478**	56,963
Investment management expenses	*11*	**(677)**	(696)
Net returns on investments		**15,515**	63,651
Net increase in the fund during the year		**13,966**	58,921
Net assets of the fund at the start of the year		**375,303**	316,382
Net assets of the fund at the end of the year		**389,269**	375,303

The notes on pages 23 to 42 form part of these financial statements.

Financial Statements (continued)

Statement of Net Assets (available for benefits) as at 30 September 2020

	Note	2020 £000	2019 £000
Investment assets:			
Bonds	*12*	**460,426**	456,184
Pooled investment vehicles	*12*	**177,642**	110,308
Derivatives	*12*	**3,627**	4,635
Amounts receivable under Reverse Repurchase Agreements	*12*	**45,825**	-
AVC investments	*12*	**275**	242
Investment debtor	*12*	**2,289**	2,043
Cash deposits	*12*	**1,270**	2,301
Cash in transit	*12*	**3,000**	19,050
		694,354	594,763
Investment liabilities:			
Derivatives	*12*	**(7,721)**	(2,852)
Amounts payable under Repurchase Agreements	*12*	**(299,977)**	(218,610)
Investment creditor	*12*	**-**	(118)
		(307,698)	(221,580)
Total net investments		**386,656**	373,183
Current assets	*13*	**2,896**	2,455
Current liabilities	*14*	**(283)**	(335)
Total Net Assets (available for benefits) of the Scheme		**389,269**	375,303

The notes on pages 23 to 42 form part of these financial statements.

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

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

Stella Girvin, Chair of Trustee

G. Malpas

Graham Malpas, Trustee Director

31st March 2021

Section 5 – Notes to the Financial Statements

Notes to the financial statements for the year ended 30 September 2020

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').

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements. However, it has required certain additions to or amendments of disclosures in the financial statements.

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 2020 (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 2020 (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 2020 (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.

4 CONTRIBUTIONS

	Total 2020	Total 2019
	£000	£000
Deficit funding	**10,030**	10,553
Employer additional contributions re expenses	**781**	663
	10,811	11,216

The Scheme closed to future accrual from 31 August 2018.

From 1 January 2019 to 30 September 2020, the Employer will pay deficit funding of £10,030k over the period, and £5,500,000 per annum from 1 October 2020 to 30 September 2021.

The Employer will pay contributions to cover the management and administration of expenses incurred by the Scheme. For the calendar year 2019, this is £572k and for the calendar year 2020, this is £886k.

5 BENEFITS PAID OR PAYABLE

	Total 2020	Total 2019
	£000	£000
Pensions payable	**6,726**	6,311
Commutations of pensions and lump sum retirement benefits	**1,076**	1,284
Lump sum death benefits	**55**	14
	7,857	7,609

Notes to the financial statements for the year ended 30 September 2020 (continued)

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Total 2020 £000	Total 2019 £000
Individual transfers to other schemes	**4,015**	7,872

7 OTHER PAYMENTS

	Total 2020 £000	Total 2019 £000
Irrecoverable VAT	**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 £30,000 was written off as irrecoverable, the 2019 comparative figure is unavailable.

8 ADMINISTRATIVE EXPENSES

	Total 2020 £000	Total 2019 £000
Administration and processing	**202**	159
Actuarial and consultancy fees	**79**	255
Audit Fee	**23**	16
Legal and other professional fees	**154**	35
	458	465

From 2017 administration expenses were paid by the Scheme, the annual contribution is £781k (2019: £663k).

In accordance with the Schedule of Contributions, the employer directly met the PPF levies in 2019 and 2020.

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).

Notes to the financial statements for the year ended 30 September 2020 (continued)

10 INVESTMENT INCOME

	Total 2020	Total 2019
	£000	£000
Income from pooled investment vehicles	**2,023**	1,045
Income from bonds	**8,207**	8,005
Interest on cash deposits	**3**	19
Bank interest	**3**	-
Annuity income	**6**	5
Loss on foreign exchange	**-**	116
Interest payable on swaps or repurchase agreements	**(1,570)**	(1,858)
Rebate of investment manager fees	**42**	52
	8,714	7,384

11 INVESTMENT MANAGEMENT EXPENSES

	Total 2020	Total 2019
	£000	£000
Administration, management and custody	**478**	537
Investment Consultancy	**199**	159
	677	696

Notes to the financial statements for the year ended 30 September 2020 (continued)

12 INVESTMENTS

12.1 INVESTMENT RECONCILIATION

	Opening value	*Purchase cost and derivative payments*	*Sales proceeds and derivative receipts*	*Change in market value*	*Closing value*
	£000	**£000**	**£000**	**£000**	**£000**
Bonds	**456,184**	127,160	(124,454)	1,536	**460,426**
Pooled investment vehicles	**110,308**	104,288	(43,470)	6,516	**177,642**
Derivatives	**1,783**	18,828	(24,197)	(508)	**(4,094)**
AVC investments	**242**	119	(20)	(66)	**275**
	568,517	250,395	(192,141)	7,478	**634,249**
Cash deposits	**2,301**				**1,270**
Cash in transit	**19,050**				**3,000**
Repurchase agreements	**(218,610)**				**(254,152)**
Investment debtor	**2,043**				**2,289**
Investment creditor	**(118)**				**-**
TOTAL NET INVESTMENTS	**373,183**				**386,656**

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. Indirect transaction costs are incurred through the bid-offer spread on investments held within pooled investment vehicles.

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.2 POOLED INVESTMENT VEHICLES (PIV)

The holdings of PIVs are analysed below:

	2020	2019
	£000	£000
Equities	**24,182**	17,174
Property	**28,434**	28,497
Global Bonds	**50,028**	10,214
Diversified growth	**34,260**	34,148
Illiquid credit	**18,696**	19,427
Private Debt	**18,373**	-
Liquidity	**3,669**	848
	177,642	110,308

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:

	2020	2019
	£000	£000
Utmost Life	**61**	59
Prudential	**214**	183
	275	242

Notes to the financial statements for the year ended 30 September 2020 (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.
- Exchange traded futures – contracts in short term gilts are purchased with an underlying economic value broadly equivalent to those assets that the Trustee does not wish to be held out of the market.
- 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.

	2020		2019	
	Assets £000	**Liabilities £000**	Assets £000	Liabilities £000
Swaps	**3,337**	**(7,368)**	3,763	(2,106)
Exchange traded futures	**-**	**-**	21	(289)
Forward foreign exchange	**290**	**(353)**	851	(457)
	3,627	**(7,721)**	4,635	(2,852)

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	86	137,720	2020-2049	3,337	(7,368)
Total 2020				**3,337**	**(7,368)**
Total 2019				3,763	(2,106)

At 30 September 2020, collateral of £5.5m (2019: £1.9m) was pledged and collateral of £nil (2019: £4.0m) was held in relation to outstanding swap contracts. Collateral pledged consisted of £5.5m (2019: £1.9m) of UK Government bonds. Collateral held consisted of £nil (2019: £3.8m) of cash and £nil (2019: £0.2m) of UK Government bonds.

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.4 DERIVATIVES (CONTINUED)

Exchange Traded Futures

The Scheme had exchange traded overseas stock index futures outstanding at the year end relating to its return seeking overseas equity portfolio as follows:

Nature	Nominal Amount £000	Expiration	Asset value at year end £000	Liability value at year end £000
-	-	-	-	-
Total 2020			-	-
Total 2019			21	(289)

Forward Foreign Exchange (FX)

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

Nature	Currency Bought £000	Currency Sold £000	Settlement Date	Asset value at year end £000	Liability value at year end £000
Buy GBP sold EURO	8,403	(8,430)	3 months	-	(27)
Buy GBP sold USD	52,557	(52,844)	3 months	-	(287)
Buy USD sold GBP	7,723	(7,762)	3 months	-	(39)
Other	290	-	3 months	290	-
Total 2020				**290**	**(353)**
Total 2019				851	(457)

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 2020.

	2020 £000	**2020 % of net assets**	2019 £000	2019 % of net assets
Insight High Grade ABS Fund	**40,002**	**10.3**	-	-
M&G - Illiquid Credit Opportunities Fund	**18,696**	**4.8**	19,427	5.2
Ares Secured Income Fund	**18,372**	**4.7**	19,050	5.1

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.6 INVESTMENT TRANSACTION COSTS

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

12.7 REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

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

	2020	2019
	£000	£000
Contracts held under reverse repurchase agreements	**45,825**	-
Contracts held under repurchase agreements	**(299,977)**	(218,610)
	(254,152)	(218,610)

At 30 September 2020, collateral of £1.9m (2019: £nil) was pledged in relation to outstanding repurchase agreements, and collateral of £0.7m (2019: £6.7m) 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

	2020	2019
Cash	**£000**	£000
Cash Deposits – Sterling	**1,267**	1,718
Cash Collateral – Overseas	**3**	583
	1,270	2,301

	2020	2019
Investment debtor	**£000**	£000
Accrued investment income	**2,289**	2,043

	2020	2019
Investment creditor	**£000**	£000
Other	**-**	(118)

Notes to the financial statements for the year ended 30 September 2020 (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 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Bonds	**-**	**460,426**	**-**	**460,426**
Pooled investment vehicles	**3,668**	**108,469**	**65,505**	**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	**310,879**	**65,610**	**386,656**

As at 30 September 2019	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Bonds	-	456,184	-	456,184
Pooled investment vehicles	848	61,539	47,921	110,308
Derivatives	126	1,657	-	1,783
AVC investments	-	131	111	242
Cash	2,301	-	-	2,301
Cash in transit	19,050	-	-	19,050
Other investment balances	1,925	-	-	1,925
Repurchase agreements	-	(218,610)	-	(218,610)
	24,250	300,901	48,032	373,183

Notes to the financial statements for the year ended 30 September 2020 (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 2020 (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 0.0% (2019:0.0%).

Indirect currency risk arises from the Scheme's investment in Sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currencies. The Scheme is subject to indirect currency risk through its investment 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 invests in the currency hedged version of the Legal and General ("L&G") Global Equity (RAFI 3000) Fund. To mitigate risk arising from any one currency, the Trustee has constructed a global equity portfolio that has exposure to a number of global currencies. At year end, 4.2% of the Scheme assets (2019: 2.3%) were invested with Baillie Gifford and hence subject to indirect currency risk from their allocation to overseas developed and emerging market currencies. These assets were sold in November 2020, after the year end.

The Scheme also invests in two Diversified Growth funds, which consist of underlying investments across a range of asset class and regions (and therefore foreign currencies), which further exposes the Scheme to indirect currency risk. The fund are Sterling priced, however the managers may use underlying currency exposures as part of its investment strategy.

The Scheme investments in the Secured Finance (including the High Grade ABS) funds have foreign currency exposure hedged back to GBP.

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.

The Trustee has set a benchmark for total investment in liability hedging assets of 30.0% of the total investment portfolio, as part of its liability driven investment ("LDI") strategy. Under this strategy, if interest rates fall, all else being equal, the value of these investments should rise to help match the increase in the value placed on the liabilities arising from a fall in the discount rate (which is derived from market interest rates). Similarly, if interest rates rise, all else being equal, these investments should fall in value, as should the value placed on the liabilities because of an increase in the discount rate.

At the year end, the liability hedging portfolio, managed by Insight Investment Management (Global) Limited ("Insight") represented c.36.2% of the total investment portfolio (2019: 39.5%). As at year end 2020, the hedge ratio of the Scheme's inflation-linked liabilities on the Trustee's liability hedging basis (gilts +0.5% p.a.) was c.92.8% (2019: c.92.6% on gilts +0.5% p.a.), in line with the target of 93.0%. The hedge ratio of the Scheme's interest-linked liabilities on the Trustee's liability hedging basis (gilts +0.5% p.a.) was c.88.5% (2019: c.89.0% on gilts +0.5% p.a.), in line with the target of 90.0%. 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.

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.10 INVESTMENT RISKS (CONTINUED)

Interest Rate Risk (continued)

The Scheme also has further indirect exposure to interest rate risk through investments in Diversified Growth and Secured Finance (including the High Grade ABS) funds. In the case of the Diversified Growth 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 interest rate sensitivity within the Secured Finance (including the High Grade ABS) mandates is limited as the underlying investments are predominantly floating rate in nature. Any interest rate sensitivity from these two asset classes is 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, which include Global Equity funds, the Diversified Growth funds, HLV property and Secured Finance (including the High Grade ABS) through underlying investments in pooled investment vehicles.

The Scheme has set a target asset allocation of 40.0% of investments being held in return seeking investments (although the 15.0% allocation to Secured Finance (excluding the High Grade ABS) is included within this is also a fixed income asset but with growth-like properties and so is discussed further below in the Credit Risk section). Despite the High Grade ABS not being part of the return seeking portfolio, it is included in the Credit Risk section along with the Secured Finance 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.34.9% of total assets (2019: 34.5%). The Scheme is underweight in return seeking assets relative to the benchmark allocation as at 30 September 2020.

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. As at the year end, the Scheme had exposure to investment grade bonds, related derivatives and cash which amounted to c.£444.5m (2019: c.£443.5m) and c.£2.2m of non-investment grade corporate bonds (2019: c.£1.5m) in segregated vehicles.

The Scheme also invests in pooled investment vehicles which may invest in sovereign government bonds and corporate bonds. The total value of pooled investment vehicles at year end exposed to indirect credit risk amounted to c.£174.2m (2019: c.£128.4m).

The pooled investment arrangements used by the Scheme are structured as Unit-linked insurance contracts, Limited partnerships, Qualifying Investor Alternative Investment Funds ("QIAIFs"), Authorised Unit Trusts and Open Ended Investment Companies ("OEICs"). The Scheme is therefore 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.

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.10 INVESTMENT RISKS (CONTINUED)

Credit Risk (continued)

Indirect credit risk also arises in respect of the Scheme's allocation to Secured Finance (including the High Grade ABS) and HLV property, as a high proportion of the value of the underlying investments held within the pooled funds are in relation to 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.

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 government bonds whereby the credit risk is deemed minimal. Some of the Buy & Maintain credit, Diversified Growth and Secured Finance (including the 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 and Secured Finance (including the High Grade ABS) funds) and those held directly (in the segregated Buy & Maintain corporate bond mandates managed by Insight and RLAM) 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 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 further action with the Trustee. The RLAM portfolio has a limit of 15% of the total portfolio being invested in non-investment grade bonds. The pooled Diversified Growth and Secured Finance (excluding the High Grade ABS) funds may also invest in non-investment grade bonds as part of their strategies to add value.

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

	2020	2019
	£000	£000
Unit Linked Insurance Contracts	**53,633**	53,618
Qualifying Investor Alternative Investment Fund	**28,721**	29,641
Authorised Unit Trusts	**33,263**	26,148
Open Ended Investment Company	**43,653**	901
Shares of Limited Liability Partnerships	**18,372**	-
	177,642	110,308

Notes to the financial statements for the year ended 30 September 2020 (continued)

12.10 INVESTMENT RISKS (CONTINUED)

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.

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, have also agreed restrictions with Insight in their investment guidelines set out in the investment manager agreement ("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 have 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 2020 (continued)

12.10 INVESTMENT RISKS (CONTINUED)

Vehicle Structure

The pooled investment arrangements used by the Scheme comprise unit-linked insurance contracts (L&G Global Equity (RAFI), LPI Income Property Fund and Sterling Liquidity Fund, Aberdeen Standard GARS and the M&G Secured Property Income Fund), OEICs (Insight Broad Opportunities Fund, Baillie Gifford Long Term Global Growth and the 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 monitors 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, and the regulatory environments in which the pooled managers operate. 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.

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

Notes to the financial statements for the year ended 30 September 2020 (continued)

13 CURRENT ASSETS

	Total 2020 £000	Total 2019 £000
Balance at bank	**2,395**	1,928
Due from employer in respect of VAT	**25**	47
Payroll paid in advance	**476**	480
	2,896	2,455

14 CURRENT LIABILITIES

	Total 2020 £000	Total 2019 £000
Administrative expenses	**177**	269
Benefits payable	**19**	63
PAYE due to HMRC	**87**	3
	283	335

15 RELATED PARTY TRANSACTIONS

Two of the Trustee Directors receive a pension from the Scheme (2019: two).

During the year Independent Trustees Services were paid £86,178 (2019: £34,458) for their services.

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

16 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 2020, 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.

As at 30 September 2020 the Scheme held an indirect investment in Travis Perkins plc through the FTSE 3000 All World Equity Index fund pooled investment vehicle held with Legal & General. However with a market value of £1,321 (2019: £1,584) this indirect investment represented less than 0.0003% of the total investment portfolio.

Notes to the financial statements for the year ended 30 September 2020 (continued)

17 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.

Based on an initial assessment of the likely backdated amounts and related interest the trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. 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.

18 SUBSEQUENT EVENTS

The UK's membership of the European Union (EU) ended on 31 January 2020, although UK legal obligations based on EU law will largely remain the same until the end of transition period on 31 December 2020. During this transition period, the Trustee continues to monitor progress carefully and it is taking appropriate professional advice on the expected impact on the investment portfolio.

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 2020 which is set out on the following page.

Opinion

In our opinion contributions for the Scheme year ended 30 September 2020 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects been paid from 1 October 2019 to 15 December 2019 at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 19 December 2018 and from 16 December 2019 to 30 September 2020 at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 16 December 2019.

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 Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and the auditor

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

It is our responsibility to provide a statement about contributions paid under the 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 31 March 2021

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 Schedule of Contributions certified by the Actuary on 16 December 2019 in respect of the Scheme year ended 30 September 2020. 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 schedule of contributions	
Deficit funding	**10,030**
Employer additional contributions re expenses	**781**
Total (as per Fund Account)	**10,811**

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

Stella Girvin, Chair of Trustee

Graham Malpas, Trustee Director

31st March 2021

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 2017 can be expected to be met by the end of period specified in the Recovery Plan dated 18 January 2021.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 19 December 2018.

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	18 January 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 2020

Introduction

This Statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 30 September 2020. This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The investment objectives of the Scheme included in the SIP are as follows:

- 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 is therefore 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.
- A further objective is for the Scheme's investment managers to meet or exceed their performance targets without operating outside their target range of tracking error.

Review of the SIP

During the year to 30 September 2020, the Trustees reviewed the Scheme's SIP. A revised SIP was signed in July 2020 in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How the Scheme's arrangement incentivises investment managers to align their investment strategy and decisions with the Trustees' policies;
- How that Scheme's arrangement incentivises the manager to make decisions based on assessments of medium to long term financial and non-financial outcomes;
- How the method (and time horizon) of the evaluation of managers' performance and remuneration are in line with the Trustees' policies;
- How the Trustees' monitor portfolio turnover costs;
- The duration of the arrangement with the asset managers.

Statement of Compliance with the Stewardship Policy of BSS Group Pension Scheme for the year ending 30 September 2020 (continued)

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ("ESG") factors, stewardship and Climate Change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was reviewed and updated in September 2019 and July 2020. The Trustee keeps the policies under regular review with the SIP subject to review at least triennially.

In order to establish these beliefs and produce this policy, the Investment Sub-Committee ("ISC"), on behalf of the Trustee, undertook investment training provided by their Investment Consultant on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. This training was held in March 2019 and also in July 2020.

The following work was undertaken during the year to 30 September 2020 relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

Engagement

UK Stewardship Code

The ISC requested that the investment managers confirm compliance with the principles of the UK Stewardship Code.

All of the Scheme's investment managers, with the exception of Ares, confirmed that they are signatories of the current UK Stewardship Code and plan to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020. Whilst Ares have adopted a UK Stewardship Code Disclosure Statement, they do not intend to complete the required reporting disclosures to be listed as a Tier 1 or Tier 2 asset manager on the FRC's website.

Review of Investment Managers

The Scheme's investment performance report is reviewed by the ISC on a quarterly basis – this includes ratings (both for general investment prospects and specifically on the extent to which ESG factors are integrated into the managers' investment process) from the investment consultant. Where managers may not be highly rated from an ESG perspective the ISC continues to monitor and engage (details of this engagement in the next section) with those managers. The investment performance report includes how each investment manager is delivering against their specific mandates. A change in ESG rating does not mean that the fund will be removed or replaced automatically. Over the year to 30th September 2020, there have been no ESG rating downgrades within the mandates the Scheme is invested in.

Statement of Compliance with the Stewardship Policy of BSS Group Pension Scheme for the year ending 30 September 2020 (continued)

Engagement (continued)

ESG Review

The ISC carried out a review of the investment manager mandates approaches to managing ESG risks and responsible investing. The review included writing to some of the investment managers (Ares, RLAM and Insight), particularly engaging with regard to the lowest ESG rated mandates (as rated by the Scheme's investment consultant) to understand how they take account of ESG considerations in their investment approach and what plans are in place to improve ESG integration in their investment processes in future. The key points from the review were:

- All strategies analysed were broadly in line or ahead of respective asset class universe averages.
- Where managers may not be highly rated from an ESG perspective by their investment consultant, the ISC engaged with the managers, by sending letters expressing the Scheme's increased focus on ESG matters and as such desire to make sure these factors are well integrated.
- The Trustee acknowledges that some managers do not have an ESG rating assigned by the investment consultant due to the nature of the asset classes, and that is more difficult for managers in certain asset classes to make decisions based on ESG factors (for example, within liability hedging).

Voting Activity

The ISC reviews the voting policies of each of the pooled vehicles in which the Scheme invests from time to time to determine whether the managers' policies are acceptable.

The Trustee did not use the direct services of a proxy voter over the year. Over the prior 12 months, the ISC has not actively challenged the managers on its voting activity.

Over the last 12 months to 30th September 2020, the key voting activity on behalf of the Trustee was as follows:

Statement of Compliance with the Stewardship Policy of BSS Group Pension Scheme for the year ending 30 September 2020 (continued)

LGIM – Passive Equity

LGIM relies on the service of proxy advisor, ISS, but have developed and implemented their custom policies. In 2019, over 40% of votes against directors were cast against the recommendations of both ISS and company management. LGIM has introduced a custom voting policy which will cover developed markets in Europe and the rest of the world (excluding France, the UK, Japan, Hong Kong and Brazil, for which they have separate voting policies). LGIM continues to develop and follow their own policies rather than adopt those of third parties, as these may not fully reflect the nuances of companies, their future commitments or LGIM own engagement activity. Such policies also may be focused on a particular country, rather than being global in nature.

LGIM's definition of significant voting 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 we 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.

Voting Information

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total (1)	Votes against management endorsement	Abstentions	
FTSE RAFI AW 3000 Equity Index	40,478	7,230	97	***BARCLAYS*** ***Resolution 29*** *- Approve Barclays' Commitment in Tackling Climate Change* ***Resolution 30*** *- Approve ShareAction Requisitioned Resolution* ***Voting:*** *The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.* ***Rationale****: "The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome."*

(1)The voting activity relates to the period 1 October 2019 to 30 September 2020

Statement of Compliance with the Stewardship Policy of BSS Group Pension Scheme for the year ending 30 September 2020 (continued)

Baillie Gifford – Equity

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 clients' shares. All client voting decisions are made in-house. Baillie Gifford 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.

Baillie Gifford definition of significant voting includes but is not limited to:

- 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.

Voting Information

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total [1]	**Votes against management endorsement**	**Abstentions**	
Long Term Global Growth	316	22	0	***AMAZON*** *Shareholder Resolution – Governance* ***Rationale:*** *"We supported a shareholder proposal to improve the transparency of Amazon's corporate lobbying policies and governance. We believe greater transparency of all political expenditures and lobbying, particularly indirect spending through trade associations, coalitions and charities, would enable shareholders to assess alignment with Amazon's values and corporate goals."*

(1)The voting activity relates to the period 1 October 2019 to 30 September 2020

Statement of Compliance with the Stewardship Policy of BSS Group Pension Scheme for the year ending 30 September 2020 (continued)

Aberdeen Standard Investment – Diversified Growth Funds

At Aberdeen Standard Investment they view all votes as significant and vote all shares globally for which they have voting authority. ISS is the platform they use to administer the votes but they have a customised voting policy and review all active votes internally. Aberdeen Standard Investment 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.

Voting Information

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total (1)	Votes against management endorsement	Abstentions	
Global Absolute Return Fund	3,307	375	5	n/a(2)

Insight – Diversified Growth Funds

Insight's definition of significant voting includes but is not limited to:

- where a vote departs from Insight's voting guidelines.

Proxy voters were only utilised at the Annual General Meeting (AGM). Insight uses the services provided by Manifest.

Voting Information

Voting undertaken over the prior year is summarised in the table below:

Fund	Votes cast			Significant vote examples
	Votes in total (1)	Votes against management endorsement	Abstentions	
Broad Opportunities Fund	n/a(2)	0	0	n/a(3)

(1)The voting activity relates to the period 1 October 2019 to 30 September 2020

(2)Voting activity was minimal for IBOF and included only infrastructure holdings.

(3)There were no significant votes undertaken over the reporting period.

The reminder mandates are largely fixed income based investments and therefore have no voting rights attached.

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