BRITISH COAL STAFF SUPERANNUATION SCHEME

REPORT & ACCOUNTS 2019/2020

Contents

Membership of Committees
At 31 March 2020
Coal Staff Superannuation Scheme Trustees Limited (the Trustee)

Committee of Management (the Committee)

Appointed Members	**Elected Pensioner Representative Members**	
Dame Kate Barker (Chairman)	James Grant -	Scotland & North East England
Alan Rubenstein	Bleddyn Hancock -	North West England, West Midlands, Wales & Northern Ireland
G James Shearer	Stuart Jukes[1] -	Yorkshire and North Lincolnshire
Alan Whalley	W John Sheldon -	East Midlands, Southern England & Overseas

Investment Sub-committee (ISC)

Alan Rubenstein (Chairman)	W John Sheldon
Dame Kate Barker	Bleddyn Hancock
Barry Kenneth[2]	Elizabeth Fernando[2]

Administration and Benefits Sub-committee (ABSC)

G James Shearer (Chairman)	James Grant
Alan Whalley	Stuart Jukes

Discretions and Appeals Sub-committee (DASC)

G James Shearer (Chairman)	James Grant
Alan Whalley	Stuart Jukes

Risk and Assurance Sub-committee (RASC)

Alan Whalley (Chairman)	Stuart Jukes
G James Shearer	W John Sheldon

[1] Stuart Jukes was re-elected as a Pensioner Representative for Yorkshire and North Lincolnshire from 1 October 2019
[2] Barry Kenneth and Elizabeth Fernando are investment advisers to, and non-voting members of, the ISC.

Appointments as at 31 March 2020

Trustee Company:	Coal Staff Superannuation Scheme Trustees Limited
Executive:	Coal Pension Trustees Services Limited (CPT) Co-Chief Executives: Geoffrey Mellor & Gerard Lane Chief Investment Officer: Mark Walker Scheme Secretary: Jon Heathfield
Investment Adviser:	Coal Pension Trustees Investment Limited (CPTI)
Actuarial Adviser:	PricewaterhouseCoopers LLP
Principal Investment Managers[1]:	BlackRock Investment Management (UK) Wellington Management International Limited PGIM Fixed Income LaSalle Investment Management Apollo Global Management
Actuary:	Martin Clarke, Government Actuary
Principal Legal Advisers:	Linklaters LLP
Pensions Administrator:	Capita Employee Benefits
Auditor:	Deloitte LLP[2]
Bankers:	Lloyds Bank plc JP Morgan Chase Bank N. A. NatWest Group plc
Custodian:	JP Morgan Investor Services
Medical Adviser:	Dr Raymond Quinlan, RPS Business Healthcare Limited

The Scheme's registration number with The Pensions Regulator is 10151637

[1] Principal Investment Managers are defined as those managing at least 5% of the Scheme's Net Assets by market value as at 31 March 2020

[2] Ernst & Young LLP resigned as Auditor on 16 January 2020. Deloitte LLP was appointed as Auditor on 29 January 2020.

Chairman's Introduction

On behalf of the Committee of Management, I am pleased to introduce the Annual Report and Audited Financial Statements of the British Coal Staff Superannuation Scheme for the year ended 31 March 2020.

The COVID-19 pandemic had adverse impacts on the year-end asset valuations and posed significant challenges to the Trustees across all aspects of the Scheme's business. We have been faced with volatile investment markets, and the challenges of operating the Scheme remotely (due to offices being shut and travel being severely restricted). Very sadly during the spring we also had to respond to a higher than expected number of deaths among our members. I have highlighted those issues, and the actions we have taken to address them, in my comments below. Although none of us could have predicted the nature of the challenges we faced, I'm pleased to report that the plans we had in place for a fall in asset prices have worked well. As a result we have been able to manage the Scheme effectively throughout this difficult period and continue to do so.

Funding and Investment

The Committee's primary funding aim is to ensure that all future benefits can be paid to members as they fall due, without requiring funding from the Guarantor. In order to achieve this goal and also to pay the Adjusted Reserve to the Guarantor, a high level of return on the Scheme's assets is required over the future. This means that the Committee has to invest in assets that seek a significantly higher return than can be achieved with 'low risk' assets. And the Scheme is mature, meaning that the annual benefit payments of about £600 million exceed the income that can be delivered by the assets alone. So we also need to sell assets over time to pay the pensions. In developing our funding strategy, we therefore need to have regard both to achieving the return target and to investing in assets that will generate cash income.

The economic and market impacts of the COVID-19 pandemic have been significant. They have affected the Scheme's assets and the Committee's investment strategy. The immediate challenges following the pandemic were around cash flows. Due to the Scheme's maturity and the nature of some of our assets, cash requirements are high, in particular to meet the benefit payments.

During March 2020, asset prices across the world fell markedly. At the same time, currencies became volatile and income on some assets was not received (an example being UK property, where a number of tenants withheld rent payments during the lockdown, as supported by the Government). The Committee already had an established plan to deal with such a situation. We hold around £1.25 billion in low risk liquid assets. These assets are available to meet benefit payments and other cash requirement during such periods of market volatility. Further, the Trustee entered into an options strategy during 2019 to provide further protection of liquidity levels in periods of market turbulence. The outcome is that, to date, we have been able to navigate the immediate challenges. We did not need to sell any equities, or other growth assets, during the period when we considered that the sale prices of those assets were too low. We have also maintained the target level of liquid assets as protection for future market falls.

As explained above, the annual investment returns required to deliver the objectives over the long-term are significantly higher than can be achieved on low risk assets. The Committee therefore invests a large proportion of the assets in a diversified 'Growth Portfolio'. The values of many of these growth assets fell sharply during March 2020, reflecting uncertainty around the immediate economic outlook and longer term risks. There has been considerable uncertainty about the valuations of some of the assets at the accounting date, particularly the private assets where there are no quoted market prices so these are harder to value.

It is uncertain how long we will have to cope with COVID-19, and the longer-term impact on the global economy is also uncertain. The Committee remains vigilant and will seek to manage the portfolio carefully through these difficult times. We are fortunate to have a strong internal team and many high quality investment managers, to support us.

An important part of the Committee's investment focus relates to environmental, social and governance (ESG) considerations. The Committee recognises that these factors can have a significant impact on long-term returns and risks. Our clear objective is to achieve the required high rate of prospective returns for any given level of risk. However, the Committee recognises that ESG factors, including, but not limited to, climate change, can impact investment outcomes and ensures that they are considered in all investment decisions. These factors are likely to become even more important in a post COVID-19 world.

Benefits Administration and Member Communications

The benefits administration provided to members over the past year, via Capita, continued to operate successfully in line with required performance targets. As a result of COVID-19 all our service providers, including Capita, were forced to invoke quickly business continuity plans and introduce new technology to enable staff to work from home.

The situation is closely monitored and managed by the executive team who equally have had to adapt to a new operating environment. However, they continue to hold regular meetings with the benefits administrator, albeit now largely virtual meetings due to home working restrictions. The Committee also closely oversees their performance to ensure that even in these challenging times our members are receiving the service that we expect to be delivered. The Committee is very pleased with how Capita and the executive have responded to COVID-19, and how they have maintained a high standard of service to our members whilst also managing an increased workload.

Members will also be aware that due to the risks posed by COVID-19 and the restrictions in place at the time decisions needed to be taken, the Committee had to make some changes to our normal annual Governance processes. We have had to postpone the Pensioner Trustee election process for this year, but expect to run it concurrently with the 2021 election process. We also had to cancel the AGM planned for Nottingham in October. Whilst we will miss meeting members in person at the AGM, the Committee firmly believes that members should still have the opportunity to engage with the Trustee and ask questions about the Report & Accounts and the operation of the Scheme. Therefore, we will produce the usual AGM presentations and speeches and post these onto the Scheme website along with the Report & Accounts by the end of September. We will invite members to ask any questions and we will respond to these in a separate communication to members in January.

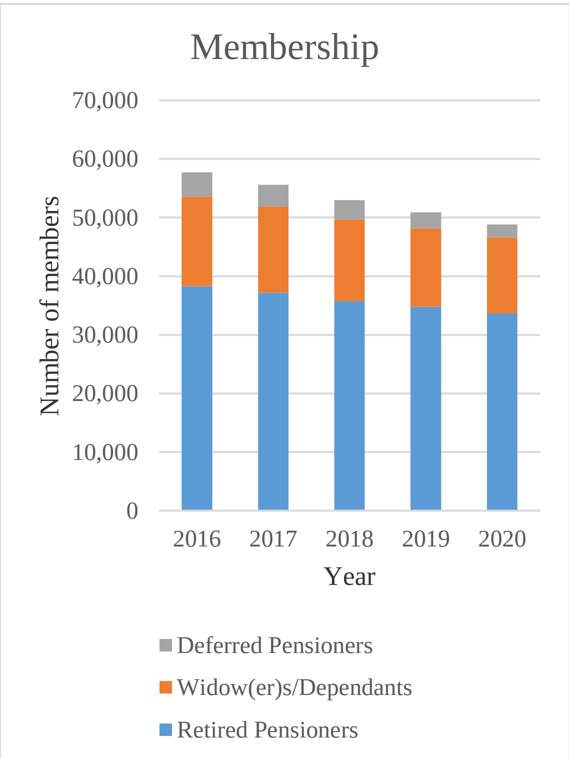
Finally, I would like to take this opportunity to thank my fellow Trustee Directors on the Committee and the teams in London and Sheffield for all their support and dedication over the past Scheme year and especially the six months following the year end due to the many difficult cirumstances as a result of the COVID-19 crisis. Thanks to very hard work by the CPT staff, and good pre-crisis planning, everyone has been able to focus on continuing to deliver the best possible service to members and to ensure the effective oversight and running of the Scheme.

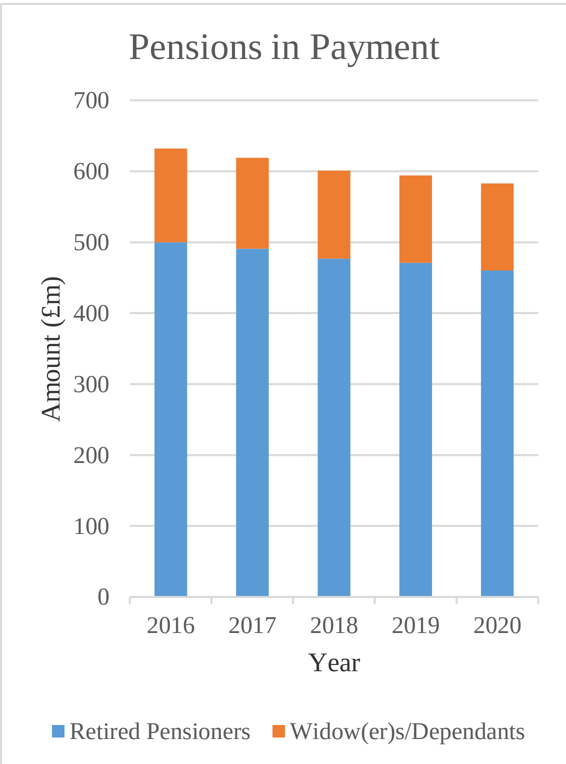
Dame Kate Barker, Chairman of BCSSS Committee of Management

Key Statistics

Key Statistics for 2020	
Total number of pensioner members at the year end	**46,636**
Total number of deferred members at the year end	**2,200**
Total benefits paid and transfers out	**£603m**
Net decrease in the Fund during the year	**£621m**
Net assets of the Scheme at the year end	**£8,760m**

Five Year Summary of the Fund Account	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
Benefits and payments out of the Scheme					
Benefits and transfers out of Scheme	(648)	(638)	(624)	(614)	(603)
Payments to the Guarantor	(500)	-	-	-	-
Administrative expenses	(4)	(6)	(5)	(3)	(3)
Net withdrawals from the Scheme	**(1,152)**	**(644)**	**(629)**	**(617)**	**(606)**
Returns on investments					
Investment income	172	235	251	286	278
Change in market value of investments	92	1,152	421	378	(262)
Investment management expenses	(36)	(34)	(32)	(33)	(31)
Net returns on investments	**228**	**1,353**	**640**	**631**	**(15)**
Net increase/(decrease) in the fund during the year	**(924)**	**709**	**11**	**14**	**(621)**
Net assets of the Scheme at the March year-end	**8,647**	**9,356**	**9,367**	**9,381**	**8,760**





Report of the Committee of Management

Membership of the Committee of Management
The Scheme's Committee of Management (the Committee) has eight members. Four are appointed, and may be removed, by the Committee itself. This is subject to the rules set out in the Articles of Association of the trustee company. Should there be an appointed Trustee Director vacancy a Nomination Group of two appointed and two elected Trustee Directors is established to recommend a suitable candidate to the Committee.

The remaining four members of the Committee are Pensioner Representatives elected by Scheme members from four geographical constituencies.

The four year period of office of the Pensioner Representative for the North West of England, West Midlands and Northern Ireland constituency ends on 30 September 2020. However, as a result of the COVID-19 pandemic restrictions the Committee, with approval from the Guarantor, made the decision to suspend the election until 2021. Therefore, Bleddyn Hanock will serve as a Pensioner Representative Trustee for an additional year. The successful candidate in the election in 2021 will serve for a three year term rather than four years.

Attendance at meetings of the Committee
During the year there were five meetings of the Committee. One member was unable to attend one meeting. All other members attended all of the meetings. For decisions to be valid a minimum of four members of the Committee must be present (of whom two must be appointed directors and two must be Pensioner Representatives). In the case of an equality of votes, the Chairman of the meeting has a second or casting vote.

Sub-committees
To help perform its duties and to streamline decision making the Committee has established, and delegated some of its powers to, four Sub-committees. Each Sub-committee has its own written Terms of Reference agreed by the Committee. In the case of an equality of votes, the Chairman of the meeting has a second or casting vote. Papers for Sub-committee meetings and the minutes of those meetings are circulated to all members of the Committee. The membership of each Sub-committee is shown on page 3. Sub-committee meetings are open to all members of the Committee to attend.

There were 21 Sub-committee meetings during the year. With the exception of one member who was unable to attend one meeting, every Sub-committee meeting was fully attended by all members of that Sub-committee.

Remuneration
Members of the Committee are entitled to remuneration for the work they undertake for the Scheme.

For all the Committee members other than the Chairman and the Chairmen of the Investment Sub-committee (ISC) and the Risk and Assurance Sub-committee (RASC), the rates of remuneration are set by the Secretary of State for Business, Energy and Industrial Strategy (the Guarantor).

The Committee determines the remuneration of the Chairman of the Committee and the Chairmen of the ISC and RASC, subject to the Committee providing the Secretary of State with suitable reassurance that the rate of remuneration granted is appropriate relative to the wider market and that the individual's competence for the role has been assessed.

During the Scheme year to 31 March 2020 the rates paid were:

Chairman of the Committee	£75,050 pa
Chairman of ISC	£59,500 pa
Chairman of RASC	£41,000 pa
Chairman of ABSC	£24,850 pa
Other Committee Members	£19,600 pa

The total remuneration paid in the year to the members of the Committee was £278,800 (2019: £269,900).

With effect from 1 April 2020 the rates of remuneration were increased in line with the increase in the Retail Prices Index to:

Chairman of the Committee	£76,750 pa
Chairman of ISC	£60,850 pa
Chairman of RASC	£41,950 pa
Chairman of ABSC	£25,400 pa
Other Committee Members	£20,050 pa

Conflicts of Interest
The Committee has a conflicts of interest policy which sets out its principles for identifying, managing and monitoring any Trustee Director, Scheme official or Scheme adviser's actual or potential conflicts of interest which may arise in the conduct of the Scheme's business and decision making. The policy is reviewed regularly. Meeting procedures require the declaration

of any conflicts of interest at the commencement of each meeting.

Evaluation of Trustee Director Performance
The Committee formally evaluates its performance and the performance of its Sub-committees on a periodic basis.

Appointments
A list of the key appointments made by the Committee is on page 4. All of these appointments are periodically reviewed by the Committee.

Coal Pension Trustees Services Limited
Coal Pension Trustees Services Limited (CPT), a company owned jointly by the Scheme and the Mineworkers' Pension Scheme (MPS), acts as the Scheme's Executive.

CPT is responsible for dealing with questions concerning the provisions of the Scheme and any correspondence addressed to the members of the Committee. The company also provides other services to the Committee, including secretariat, financial management, actuarial support and investment monitoring.

A subsidiary company of CPT, Coal Pension Trustees Investment Limited (CPTI), is authorised by the Financial Conduct Authority (FCA) to provide investment advice to the Committee.

Four members of the Committee sit on the Board of CPT. As at 31 March 2020 these were Dame Kate Barker, G James Shearer, Bleddyn W Hancock and Stuart Jukes. The Board met twice during the year.

Auditors
In line with good governance practice, the Committee undertook a review of the external audit market to ensure good value for the cost of the annual audit of the Scheme. Following that review the Committee approved a decision to appoint Deloitte LLP as the Scheme's auditor with effect from 29 January 2020. Ernst & Young LLP formally resigned as the Scheme auditor on 16 January 2020 and concluded that there were no circumstances connected with their resignation which they considered would significantly affect the beneficiaries of the Scheme. The Committee would like to place on record their thanks to Ernst & Young LLP for the auditing of the Scheme over many years.

Internal Dispute Resolution Procedure
In accordance with the requirements of Section 50 of the Pensions Act 1995 and The Occupational Pension Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations 2008, the Scheme operates an Internal Dispute Resolution Procedure. This legislation provides members with the right to ask for any complaint which the Scheme's administrators have been unable to resolve to be referred to the Committee or to a person appointed by them.

The Committee has appointed the Scheme Secretary to consider complaints made by members. Any members not satisfied with a decision can appeal to the Discretions and Appeals Sub-committee (DASC).

During the year nine complaints were made using the procedure, none of these complaints were upheld. Seven appeal cases were considered, and subsequently not upheld, by DASC or the Committee. One complaint was taken to the Pensions Ombudsman.

Statement of Investment Principles
Under Clause 10A of the Scheme and Rules the Committee is required to prepare and maintain a written statement of the principles governing decisions about investments for the purposes of the Scheme. The statement is reviewed at least every three years and immediately after any significant change in investment policy. The statement was updated following completion of the Strategic Investment Framework review by the Committee.

A copy of the current statement of the principles governing decisions about investments for the purposes of the Scheme is available on application to the Scheme Secretary.

Membership
The changes in membership for deferred pensioners and pensioners are detailed on pages 13 to 14. The Scheme has no active members and is fully closed with no provision for new entrants.

Annual General Meeting
The 2019 Annual General Meeting (AGM) was held in Cardiff. The AGM was attended by 48 Scheme members who were given presentations by the Scheme Chairman, the ISC Chairman and the Scheme Secretary. They covered specific topics of interest to Scheme members including the Annual Report and Accounts, Scheme investments, risks and costs and the funding challenges. In addition, representatives of the Scheme administrator were present to answer members' questions. Further information, including a detailed account of the 2019 AGM, can be found within the Scheme Publications section on the BCSSS website (www.bcsss-pension.org.uk).

The 2020 AGM was due to be held on 1 October 2020 in Nottingham. However, due to the current COVID-19 restrictions the Committee and the Guarantor agreed that under the circumstances the 2020 AGM should be cancelled.

Risk Management

The Committee is responsible for the Scheme's Risk Management Framework, which includes the system of internal control, and for reviewing its effectiveness. The Risk Management Framework is designed to manage the risk of failure to achieve the Committee's objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The RASC reviews and monitors the Risk Management Framework and makes recommendations to the Committee, where appropriate, for improvement. It assists the Committee and other Sub-committees in discharging their responsibilities in relation to financial reporting, risk management and internal controls.

A risk register is maintained by the Committee which records the assessment of applicable risks facing the Scheme together with the effectiveness of controls in place to mitigate each risk. Each Sub-committee has responsibility for ensuring that the specific risks that fall within its remit are being adequately managed. The risk register is reviewed and updated regularly.

Key high risks are prioritised to enable attention to be focussed appropriately. Risk appetite measures have been established and compliance with these is monitored by the Committee.

Controls are designed to provide reasonable assurance that the assets are safeguarded against loss from unauthorised use and that benefits are paid in accordance with the Scheme and Rules.

The Committee receives assurance over the operation of the system of internal controls from internal audit and other assurance reviews, according to a programme of audit and assurance work approved and overseen by the RASC.

Transfers out of the Scheme

Transfer values paid during the Scheme year in respect of transfers to other pension schemes have been calculated on a basis provided and verified by the Actuary in accordance with the Pension Schemes Act 1993. The Committee has directed the Actuary not to take discretionary pension increases into account in the calculation of transfer payments.

Guaranteed Minimum Pensions (GMP) Equalisation

Following the High Court ruling in the case brought by Lloyds Bank, the Committee is aware of a potential liability in respect of GMP Equalisation. The Committee continue to liaise with the Scheme's professional advisers to establish the financial impact on the Scheme. However, on the basis that the additional liability is not expected to have a material impact upon the Scheme, the Trustee has decided not to include a specific provision for GMP Equalisation in these financial statements.

Statement of Trustee's Responsibilities in Respect of the Accounts

The British Coal Staff Superannuation Scheme is governed by the Scheme and Rules set out in the Schedule to the British Coal Staff Superannuation Scheme (Modification) Regulations 1994 and as subsequently amended. Under the Definitive Scheme and Rules, the Committee is required to obtain audited accounts. The Committee applies the accounting principles in accordance with applicable law and United Kingdom Accounting Standards including FRS 102 and makes available certain other information about the Scheme in the form of an Annual Report**.**

The financial statements, which comprise the Fund Account, the Statement of Net Assets and the Notes to the Accounts, are the responsibility of the Committee. The Scheme and Rules require, and the Committee is responsible for ensuring, that those financial statements:

- 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

- include a statement that the financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice including FRS 102.

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

The Committee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Committee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee Statement on Going Concern

In accordance with Financial Reporting Standard 102 and the Statement of Recommended Practice, Financial Reports of Pension Schemes (2018), the Committee has considered whether the financial statements can be prepared on a going concern basis. The Scheme will only cease to be a going concern in a situation whereby the Trustee and the Guarantor have agreed to a winding up of the Scheme.

The Committee considers it appropriate to prepare the financial statements on a going concern basis as the Scheme benefits from the Government Guarantee, which ensures the payment of the guaranteed member benefits and, in addition, they have not entered into any discussion with the Guarantor regarding winding up of the Scheme.

Report on the 2018 Actuarial Valuation

The Scheme is exempt from the statutory scheme funding requirements (Part 3 of the Pensions Act 2004). Instead the funding requirements of the Scheme are set out in the Agreement signed on 13 February 2015 between the Trustee and the Guarantor.

Schedule 2 of the Agreement states that the Actuary is required to perform an Actuarial Valuation and produce a report every three years to advise the Guarantor and the Trustee of the following percentages:

1. The annual compound real return (above RPI) on the Scheme's total assets that would be needed over the lifetime of the Scheme to expect to be able to meet the Scheme's future benefits payments and the Scheme's expenses (the 'Obligations Percentage'); and
2. The annual compound real return (above RPI) on the Scheme's total assets that would be needed over the lifetime of the Scheme to expect to be able to meet the Scheme's future benefit payments, the Scheme's expenses and a payment to the Guarantor on 31 March 2033 equal to the Adjusted Reserve increased in line with cumulative changes in the Consumer Prices Index (the 'Buffer Percentage').

The last Actuarial Valuation was conducted as at 31 March 2018 and concluded on 28 February 2019. A summary of the valuation results is given in the table below:

	Result at 31 March 2018
Value of the Scheme assets	£9,367 million
Obligations Percentage	-0.1% pa
Buffer Percentage	1.2% pa

Method and significant assumptions adopted at the 2018 Actuarial Valuation

The valuation methodology is to project the expected cash-flows of the Scheme (and target payment to the Guarantor, as appropriate) and then to calculate, at the valuation date, the annual real rates of return required on the Scheme's assets over the Scheme's lifetime, in order to meet the Scheme's expected cash-flow requirements.

The following significant assumptions were adopted for this valuation:

- As at 31 March 2018 the Actuary assumed the following about future annualised inflation:

Scheme year	**Retail Price Index**	**Consumer Price Index**
2018	3.20% per annum	2.40% per annum
2019 onwards	3.15% per annum	2.00% per annum

- Pension increases are derived from the assumed future inflation assumptions (as shown above) according to the provisions of the Scheme Rules.

- Baseline mortality rates are assumed to be in line with standard tables, adjusted to reflect recent Scheme membership experience, with future improvements projected to be in line with those underlying the Office of National Statistics 2016-based principal UK population projections.

Further details about the Actuarial Valuation are included in the Actuary's report on page 43. The next Actuarial Valuation will have an effective date of 31 March 2021.

Analysis of changes in the number of deferred pensioners and Equivalent Pension Benefits (EPB)

During the year ended 31 March 2020

		Deferred pensioners	EPB only*
At the beginning of year		**2,456**	**228**
Additions** during the year:		1	-
Total additions		**1**	-
Reductions during year:			
Retirements:			
-	normal retirement age	102	14
-	commuted trivial pension	-	50
-	early retirement with no actuarial reduction	31	-
-	early retirement with actuarial reduction	73	-
-	after further deferment	88	-
Deaths notified to the Scheme		4	15
Transfers out		9	-
Closed Records***		-	99
Total reductions		**307**	**178**
Total at end of year		**2,150**	**50**

***Equivalent Pension Benefit (EPB)**
Members who left service early with a refund of contributions and who were contributors between April 1961 and April 1975 generally had an Equivalent Pension Benefit (EPB) preserved in the Scheme. This is broadly equivalent to the pension to which they would have been entitled from the State Graduated Pension Scheme, had the BCSSS not been contracted out of that scheme. The BCSSS pays this from age 60 rather than from State Pension Age.

****Additions**
Pension Credit awarded to the ex-spouse on the divorce of a member.

****Closed Records**
Following a tracing exercise during the year of unclaimed EPB records for members aged over 70 years, 99 unclaimed records were closed. These remain a liability of the Scheme and benefits will be payable should a valid claim be made.

Analysis of changes in the number of pensioners and pensions in payment including bonuses

During the year ended 31 March 2020

	Former contributors		**Widow(er)s and dependants**		**Children**	
	Number	**Annual rate**	**Number**	**Annual rate**	**Number**	**Annual rate**
Guaranteed		£'000		£'000		£'000
At the beginning of year	**34,792**	**388,328**	**13,272**	**102,955**	**131**	**451**
Adjustments	1	4	-	-	-	-
Adjusted opening figure	**34,793**	**388,332**	**-**	**-**	**-**	**-**
Additions during the year:						
Awards on retirement	308	1,889	-	-	-	-
New pension credit members	2	8	-	-	-	-
Awards on death of pensioners	-	-	671	5,978	4	18
Pension increases	-	7,207	-	1,898	-	9
Total additions	**310**	**9,104**	**671**	**7,876**	**4**	**27**
Deductions during year:						
Death of pensioners	1,458	16,666	1,068	8,114	-	-
Children attaining age 18 or ceasing full time education	-	-	-	-	7	28
Commuted Benefits	4	5	-	-	-	-
Closed Records	3	0	4	9	1	0
Total Reductions	**1,465**	**16,671**	**1,072**	**8,123**	**8**	**28**
Total guaranteed pensions at end of year	**33,638**	**380,765**	**12,871**	**102,708**	**127**	**450**
Level Bonus*	-	79,329	-	19,273	-	70
Total	**33,638**	**460,094**	**12,871**	**121,981**	**127**	**520**

* Payments arising from past surplus paid to pensioners, as described on page 45.

Investment Report

Policy

The responsibility for setting the investment policy of the Scheme lies with the Committee. Decisions concerning the establishment of investment objectives, risk parameters and formulation of an investment strategy which seeks to achieve the objectives are made by the Committee. The Investment Sub-committee (ISC) is responsible for overseeing the efficient implementation of the investment strategy and deciding on the most appropriate investment structure within delegated parameters. Decisions are made after consideration of advice from CPTI, the Scheme's investment adviser. Day-to-day investment decisions are delegated to the Scheme's investment managers who are required to follow specific guidelines.

The Committee takes professional advice to ensure that risk in the long-term strategy is within acceptable limits.

Investment Review and Performance

The year to March 2020 was again mixed for financial markets. Much of 2019 represented a strong year for markets despite US-China trade war tensions which carried on into January this year until the outbreak of the COVID-19 pandemic. At first, significant market drawdowns were isolated to China and the wider Asian region as market participants anticipated that developed markets would be insulated from a localised epidemic. Reflecting this, the main US stock indices reached record highs in mid-February. However, late February saw global stock markets record their worst week since 2008 and markets continued to fall into March as both the scale of the global pandemic and the economic consequences of lockdown measures to suppress it became more apparent. Market falls in March were accentuated further by the collapse in the OPEC+ agreement which saw the supply of oil flood the market and oil price collapse, raising fears of more short-term deflationary pressure. However, late March represented a trough and public markets rebounded to some extent in April 2020, due to unprecedented levels of fiscal and monetary support in many developed countries and hopes for a fast economic recovery aided by a vaccine. Despite this market optimism, the economic data currently indicates that a deep global recession is likely in 2020, and the timing and scale of recovery are both uncertain.

Global equity markets as measured by the FTSE All World Index fell by 6.6% in sterling terms whilst the FTSE All Gilt Total Return Index rose by 9.9%.

UK commercial property as measured by the IPD All Property Index had a total return of -0.4%.

Sterling experienced much volatility over the year. It strengthened against both the US dollar and the euro in late 2019 due to the expectations of a large parliamentary majority for the Conservative party meaning that policy uncertainty regarding Brexit would fall. However, market stress due to the pandemic and a subsequent increase in demand for US dollars, caused sterling to weaken significantly during the market drawdown. It only partially recovered this loss, and was down 5.0% against the US dollar and 3.3% against the euro at the end of March from a year earlier.

In July 2019 the Committee took the decision to implement an equity protection strategy using derivatives. This protected against market falls in the developed market allocation of the public equity portfolio. In March, as markets fell aggressively, profit was taken early from this strategy to enable the Committee to meet its pension and other payment obligations without selling equities. The Committee also sold government bonds rather than equities in order to pay members benefits during market volatility over the year.

The Committee continued to invest in special situation strategies across the debt and equity spectrum and increased its allocation to investment grade credit and UK infrastructure. An investment was also made in an insurance related mandate with Apollo. The Committee reduced its allocation to UK property towards the end of 2019.

The Scheme continued to hedge part of its foreign equity exposure against the US dollar, euro, Swiss franc and yen.

The Scheme's investment managers and values of investment assets held at market value at 31 March 2020 are shown below:

			Total net assets
		£m	**£m**
Cash	Insight	92	
	Other cash	146	**238**
Global Government Bonds	BlackRock	530	
	Wellington	524	**1,054**
Global Investment Grade Credit	Wellington	390	
	PGIM	386	**776**
Global Multi-Asset Credit	PGIM	106	
	Wellington	98	**204**
Private Debt	Apollo	317	
	Bain Capital	236	
	Ares	160	
	Goldman Sachs MBD	128	
	HIG Whitehorse	70	**911**
Special Situations Debt	Various	725	**725**
Public Equity	BlackRock	665	
	AQR	254	
	Cantillon	138	
	Baillie Gifford	117	
	L&G	95	
	Lazard	86	
	Genesis	82	
	Edinburgh Partners	78	
	JO Hambro	73	
	Schroders	56	
	Green Court	37	**1,681**
Private Equity	Various	1,197	**1,197**
Property	LaSalle	1,059	**1,059**
Global Infrastructure	Goldman Sachs	43	**43**
UK Infrastructure	Dalmore	375	
	Greencoat Solar	59	
	Aviva	18	**452**
Global Macro	Bridgewater	190	**190**
Other (new) Opportunities	Apollo Insurance	84	**84**
Shipping	Tufton Oceanic	158	**158**
Residual cash, assets and liabilities			**(12)**
Net Assets as at 31 March 2020			**8,760**

The manager totals include investment debtors, creditors and investment cash

The allocation to public equity includes the market exposure achieved through US equity futures, managed by L&G, with a corresponding adjustment to other cash.

The analyses shown on the previous page are based on the underlying investments. These differ from the classification used in note 6 to the accounts which have been presented in line with accounting standards.

The Committee uses JP Morgan Investor Services (JP Morgan) to provide an independent measure of investment performance. Annualised returns over one, three and five year periods are shown below.

	Scheme Return %	Benchmark %
1 Year	**-2.19**	**2.06**
3 Years	**3.89**	**4.76**
5 Years	**6.00**	**6.33**

The benchmark is a composite of individual asset class benchmarks, weighted in accordance with the investment strategy agreed by the Committee. It provides an indication of how effectively the Scheme's investment strategy has been executed in the period under review. Due to methodology used for calculating the returns consistently, the above presented returns do not include the positive contribution from the monetisation of the equity hedging strategy in March 2020. In fact, the trailing 1 year scheme return has been under-estimated by approximately 2.1%.

Custodial and Cash Arrangements
The Scheme's quoted securities are held by a custodian, JP Morgan, who also provides investment accounting, investment performance measurement, securities lending and other fund services.

Insight Investment manages most sterling cash balances within their Liquidity funds. The remaining cash is either deposited with JP Morgan Chase Bank N.A. or placed on deposit in the name of the Scheme.

The Committee's approval is required for any borrowings in excess of agreed short-term facilities with JP Morgan Chase Bank N.A. and Lloyds Bank plc.

Public equities and bonds are registered in the name of nominee companies controlled by the Scheme's custodian or sub-custodians. Passively managed securities are held in pooled funds, who appoint their own custodian.

Property investments are primarily registered in the name of Coal Pension Properties Limited (CPPL) or Crucible Residential Properties Limited (CRPL) which are nominee companies controlled jointly by the Scheme and MPS and incorporated for the purpose of holding title to the Scheme properties. Title deeds are held by firms of solicitors. Trust deeds between the nominee companies and the Schemes establish that the properties are held on behalf of the Schemes and which Scheme holds which property.

Private equity, special situations debt and shipping investments are held in the name of the Coal Staff Private Equity Trust on behalf of the Scheme.

Global and UK infrastructure and private debt investments are held in the name of Coal Staff Superannuation Scheme Ltd on behalf of the Scheme.

Regular reconciliations are carried out of evidence of title and value held by the custodian with records maintained by the Scheme's investment managers.

Responsible Investment
The Committee believes that widespread adoption of good corporate governance practice by investee companies will improve the quality of investee company management and, as a consequence, potentially

increase the returns to long-term investors. The Committee reviewed it's Responsible Investment Policy during the year and the latest version is available on the Scheme website.

The Scheme is a signatory to the Financial Reporting Council's (FRC) UK Stewardship Code. This sets out a number of areas of good practice to which the FRC believes institutional investors should aspire. It also describes steps asset owners can take to protect and enhance the value that accrues to the ultimate beneficiary.

Effective company engagement, intervention and consideration of environmental, social and governance ("ESG") factors, requires a deep knowledge of the underlying businesses in which the Scheme effectively invests, which the Committee does not have. For this reason, engagement and voting activities for public equity managers are delegated to Hermes Equity Ownership Services, unless the Committee believes that it is an effective and integral part of the managers investment strategy. Their respective reports are published on the Scheme website. For other investment classes the Committee relies upon its investment adviser to undertake effective due diligence and ongoing monitoring to ensure that ESG factors are considered in the selection, retention and realisation of investments through its investment managers. The Committee's focus on ESG factors within the investment portfolio has increased significantly during the year with the subject being discussed in more detail at both Committee and Sub-committee level and is also recognised within the new Responsible Investment policy.

Securities Lending

The Scheme participates in securities lending through its custodian, JP Morgan. Approved borrowers are required to provide collateral valued in excess of securities on loan. Additional controls include limits on lending to borrowers and restrictions on acceptable collateral. The Scheme also benefits from an indemnity from JP Morgan against losses on borrower default.

Transaction costs

The management of transaction costs and the obligation to seek best execution is the responsibility of each investment manager, with whom there is a regular dialogue.

Derivatives

The Committee has authorised the use of equity, foreign exchange and bond index futures and options, credit default swaps, currency, interest rate inflation and total return swaps. These are used by the Scheme's investment managers to contribute to the reduction of risk and to facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk). Controls in place include authorisation of permitted instruments, limits on market exposures and on total tracking errors and collateral requirements.

JP Morgan Chase Bank N.A. also provides an independent valuation for derivatives.

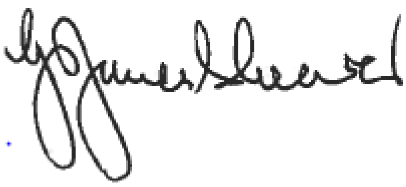
Currency Hedge

Exposure to all non-sterling currencies within global government bonds, global multi-asset credit, global investment grade credit, private debt, special situations debt and shipping is 100% hedged. Exposure to US dollars, Swiss francs, euros and yen is 75% hedged in relation to developed market public and private equity and the residual global infrastructure mandate.

Appreciation

The Committee wishes to acknowledge the assistance it has received from all of its appointees over the year and to record its thanks for the work carried out by them.

For and on behalf of the Committee of Management:



Chairman Committee Member

Fund Account
Year ended 31 March 2020

	Note	2020 £m	2019 £m
Contributions and benefits			
Benefits paid and payable	**2**	**(600)**	(611)
Payments to and on account of leavers	**3**	**(3)**	(3)
Administrative expenses	**4**	**(3)**	(3)
Net withdrawals from dealings with members		**(606)**	(617)
Returns on investments			
Investment income	**5**	**278**	286
Change in market value of investments	**6**	**(262)**	378
Investment management expenses	**7**	**(31)**	(33)
Net returns on investments		**(15)**	631
Net (decrease)/increase in the Fund during the year		**(621)**	14
Net assets of the Scheme at the beginning of the year		**9,381**	9,367
Net assets of the Scheme at the end of the year		**8,760**	9,381

Statement of Net Assets
As at 31 March 2020

	Note	2020 £m	2019 £m
Investment assets	**6**		
Equities		**936**	1,205
Fixed income securities	**8**	**2,734**	2,924
Property	**9**	**1,059**	1,197
Pooled investment vehicles	**10**	**3,297**	3,546
Derivatives	**11**	**225**	71
Shipping	**12**	**148**	161
Cash and cash equivalents		**781**	383
Other financial assets	**13**	**71**	121
		9,251	9,608
Investment liabilities			
Derivatives	**11**	**(410)**	(79)
Other financial liabilities	**13**	**(89)**	(157)
Net investment assets		**8,752**	9,372
Current assets	**19**	**17**	19
Current liabilities	**20**	**(9)**	(10)
Net assets of the Scheme at 31 March		**8,760**	9,381

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposition 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 does take account of such obligations, is dealt with on page 12 of the Report of the Committee of Management. These financial statements should be read in conjunction with actuarial position reported on page 12.

The notes on pages 21 to 40 form part of these financial statements.

These accounts were approved by the Committee on 27th August 2020.

For and on behalf of the Committee of Management

……………………………………………………………………..Chairman

……………………………………………………………………..Committee Member

Scheme Registration Number: 10151637

NOTES TO THE ACCOUNTS

1. Accounting policies

Basis of preparation

The accounts have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidelines set out in the Statement of Recommended Practice – Financial Reports of Pension Schemes (2018) (SORP). This is the first year that the 2018 SORP has been applied to the Scheme's accounts. There were no significant changes other than additional disclosures. The principal accounting policies applied in the preparation of these accounts are set out below.

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the compliance statement on page 44.

Basis of accounting

The accounts include the assets and liabilities, excluding obligations to pay pensions and benefits after the end of the Scheme year, together with the net income arising during the year. The majority of assets and liabilities are held through nominee, Trustee or subsidiary companies, limited partnerships and other pooling arrangements.

Basis of consolidation

The results of subsidiary undertakings are included from the date of acquisition and up to the date of disposal using the acquisition method of accounting.

Investment income

Income is recognised when the Scheme's right to receive payment is established as follows:

Income from equity investments is included in the accounts on the date when the securities are quoted ex-dividend, or where no ex-dividend is quoted, when the Scheme's right to receive the payment is established.

Income from fixed income securities, property, shipping and cash is taken into account on an accruals basis. Income from property and shipping is stated net of any expenses which relate directly to the income against which it has been incurred.

Income arising from the underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price and is reported within the change in market value. Where income is distributed it is included in investment income when the Scheme's right to receive payment is established. Distributions from pooled investment vehicles which are not split between income and realised gains are included in change in market value.

Individual transfers

Individual transfers from the Scheme during the year are included in the accounts on the basis of when the member liability is accepted by a registered pension arrangement.

Benefits

Benefits payable are included in the accounts on an accruals basis when the member notifies the Trustee as to the type or amount of benefit to be taken or, where there is no choice, on the date of retirement or leaving.

Administrative expenses and investment management expenses

Administrative expenses and investment management expenses, where they are invoiced directly, are accounted for on an accruals basis. The invoiced amounts expensed, exclude recoverable value added tax. Some investment managers deduct their fees directly from the Fund and these are reflected within the change in market value. Irrecoverable VAT is reflected within the appropriate expense heading.

Foreign currencies

Transactions in foreign currencies during the period, including purchases and sales of securities, investment income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Amounts denominated in foreign currencies at the year-end are translated into sterling, the Scheme's functional currency, at the rate of exchange ruling at the year-end date. Gains and losses on foreign currency denominated investments are shown in aggregate within the change in market value of investments to which they relate in the Fund Account. Gains and losses relating to cash are included in investment income.

Change in market value

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

Investment assets and liabilities

The Statement of Net Assets includes investments at fair value and details of the valuation techniques involved in estimating fair values of certain investments are included below and in note 16.

Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

Fair value measurement

The Committee measures all of its investments at fair value at each reporting date.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. FRS 102 and the SORP require the use of a three-level hierarchy to describe the way the estimate was carried out as shown in note 16.

The methods of determining fair value for the principal classes of investments are detailed on the following page.

- Equities and fixed income securities which are traded in an active market are included at the quoted price, which is normally the bid price. Transaction costs arising on all investment purchases and sales are charged to the Fund Account within change in market value by adding to purchase costs and netting against sale proceeds, as appropriate for all investment types.

- The fair value of fixed income securities which comprise various types of debt instruments which are unquoted or not actively traded on a quoted market are either based on advice from the respective investment manager or are evaluated by pricing vendors using financial models and comparable security data.

- The value of shipping and pooled investment vehicles which are unquoted or not actively traded on a quoted market, are estimated by the Committee based on advice from the respective investment manager. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value. Where the last valuation provided by the investment manager is prior to the year-end, the valuation is adjusted for cash flows in the intervening period.

- Unitised pooled investment vehicles comprising unit linked insurance policies which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are substantially traded on all pricing days, are included at the last price provided by the manager at or before year-end.

- Property is valued at open market value as at 31 March 2020, determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The properties have been valued by Cushman and Wakefield (C&W), Chartered Surveyors, an external independent valuer with recognised and relevant professional qualifications who has recent experience of the locations and types of properties held by the Scheme, taking account of, amongst other things, the current estimate of rental values and market yield.

- Futures are contractual arrangements to buy or sell a specified financial instrument at a specific price at a predetermined future date, are traded in standardised amounts on regulated exchanges, and are subject to daily cash margin requirements. They are valued at the fair value as determined by the closing exchange price as at the year-end.

- Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, and normally transacted over-the-counter (OTC). They are valued at the current value of future expected cash flows arising from the swap, determined using a discounted cash-flow model and market data at the reporting date.

- Forward foreign exchange contracts are customised contracts transacted in the OTC market. They are valued by determining the gain or loss that would arise from closing out the contract at the year-end by entering into an equal or opposite contract at that date.

- Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. Exchange traded options are valued at the fair value as determined by the exchange price for closing out the option as at the year-end.

Other investment arrangements

The Committee continues to recognise assets it has lent under securities lending arrangements to reflect its ongoing interest in those securities. Collateral received in respect of these arrangements is disclosed in note 15 but not recognised as a Scheme asset.

Collateral payments and receipts in respect of OTC derivative contracts and initial margin deposits in respect of futures contracts are reported within cash.

Areas of judgement and key sources of estimation uncertainty

The preparation of financial statements requires the Trustees to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimations is in the notes to the financial statements.

A key source of estimation uncertainty that has a significant risk of causing a material adjustment to the carrying amounts of assets is in relation to the valuation of directly held property, particularly in light of the current ongoing impact of the COVID-19 pandemic as valuations are more subjective.

2. Benefits paid and payable

	2020	2019
	£m	£m
Pensions	**466**	473
Dependant benefits	**124**	124
Commutations and lump sum retirement benefits	**10**	14
Total	**600**	611

3. Payments to and on account of leavers

	2020	2019
	£m	£m
Individual transfers to other schemes	**3**	3

4. Administrative expenses

	2020	2019
	£m	£m
Pension Administration	**2**	2
Legal, Actuarial and Other fees	**1**	1
Total	**3**	3

5. Investment income

	2020	2019
	£m	£m
Dividends from equities	**25**	28
Income from fixed income securities	**138**	153
Property rents (net of expenses)	**49**	52
Income from pooled investment vehicles	**35**	21
Income from shipping (net of expenses)	**26**	24
Income from joint ventures	**-**	2
Interest on cash deposits and margin accounts	**1**	1
Other	**4**	5
Total	**278**	286

Property expenses of £10 million (2019: £9 million) were deducted from property income. Shipping expenses of £27 million (2019: £22 million) were deducted from shipping income.

6. Investment Reconciliation Table

	Value at 1 April 2019	**Purchases at cost and derivative payments**	**Sales proceeds and derivative receipts**	**Change in market value**	**Value at 31 March 2020**
	£m	**£m**	**£m**	**£m**	**£m**
Equities	1,205	497	(681)	(85)	936
Fixed income securities	2,924	3,090	(3,316)	36	2,734
Property	1,197	17	(119)	(36)	1,059
Pooled investment vehicles	3,546	586	(743)	(92)	3,297
Derivatives	(8)	1,064	(1,148)	(93)	(185)
Shipping	161	-	(14)	1	148
Cash and cash equivalents	383	394	-	4	781
Other financial assets and liabilities	(36)	15	-	3	(18)
Total investments	**9,372**	**5,663**	**(6,021)**	**(262)**	**8,752**

The change in 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 all profits and losses realised on sales of investments during the year.

7. Investment Management Expenses

	2020	2019
	£m	£m
Administration, management and custody	**26**	28
Other advisory fees	**5**	5
Total	**31**	33

Other advisory fees include £2.3 million (2019: £2.3 million) of costs relating to CPTI, the Scheme's investment adviser. Also included in other advisory fees are £2.8 million (2019: £3.1 million) of legal and other third-party adviser costs.

8. Fixed income securities

	2020	2019
	£m	£m
Bonds	**1,841**	1,846
Loans	**893**	1,078
Total	**2,734**	2,924

Loans comprise secured loans made direct to entities through five investment managers principally to businesses based in the UK, continental Europe and the US and bank loans which are debt financing obligations issued by a bank or similar financial institution purchased via the secondary market. Loans are not traded on an active market which may restrict the ability of the Scheme to realise them at short notice.

9. Property

	2020	2019
	£m	£m
UK property	**1,059**	1,197

When property investments are sold, the period between the initiation and completion of the disposal process can take time.

As a result of the COVID-19 outbreak, which has caused extensive disruption to businesses and economic activities on a global level in all sectors, the property valuers, Cushman and Wakefield, have reported their valuation on the basis of 'material valuation uncertainty'. The declaration does not mean that the valuation cannot be relied upon but it does mean that less certainty, and a higher degree of caution, should be attached to the valuation of the property than would normally be the case.

In order to give a clearer picture of the impact on the Scheme's results or financial position of potential changes in significant estimates and assumptions, a sensitivity to assess the impact of a change of 10% in value of directly held properties determined that the valuation could change by £106 million (2019: 120 million). This sensitivity is based on assumptions and conditions prevailing at the year-end and should be used with caution. The effects provided are not necessarily indicative of the actual effects that would be experienced because the Scheme's actual exposures are constantly changing.

10. Pooled investment vehicles

	2020	2019
	£m	£m
Global macro	**190**	235
Global and UK infrastructure	**495**	367
Private equity	**1,197**	1,368
Special situations debt	**725**	700
Unit linked insurance policies	**606**	876
Insurance	**84**	-
Total	**3,297**	3,546

Pooled investment vehicles include holdings in UK and overseas equities, bonds, loans, derivatives, infrastructure and insurance. The underlying investments of the special situations debt investments are principally loans made to companies in Europe and the US. Global and UK infrastructure, private equity, special situations debt and insurance investments are not traded on an active market which may restrict the ability of the Scheme to realise them at short notice.

11. Derivative contracts

	2020	2019
	£m	£m
Assets		
Futures contracts	**3**	2
Forward foreign exchange contracts	**206**	59
Swaps	**16**	10
Liabilities		
Futures contracts	**(6)**	(1)
Forward foreign exchange contracts	**(368)**	(68)
Swaps	**(32)**	(10)
Options	**(4)**	-
Net derivative contracts	**(185)**	(8)

Objectives and policies for holding derivatives

The Committee has authorised the use of derivative financial instruments by its investment managers as follows:

- Forward foreign exchange contracts are used to provide the Scheme with protection against changes in exchange rates which may adversely affect the value of overseas investments in foreign currencies.

- Futures contracts are used to provide the Scheme with exposure to the equity and bond markets.

- Swaps are used for efficient portfolio and risk management as well as hedging purposes in pursuit of the Scheme's investment objective. They provide exposure to interest bearing assets and debt investments in both sterling and foreign currencies

- Option contracts have been entered into in order to provide protection for the Scheme's exposure to equities should adverse market movements arise.

Forward foreign exchange contracts

	Bought £m	**Sold £m**	**Asset £m**	**Liability £m**
Euro	**429**	(1,064)	**15**	(40)
Sterling	**8,317**	(3,622)	**-**	-
US dollar	**4,396**	(7,882)	**154**	(296)
Yen	**90**	(236)	**1**	(13)
Other	**725**	(1,315)	**36**	(19)
Total	13,957	**(14,119)**	206	**(368)**

The above table aggregates the exposures to currencies acquired or sold through over the counter forward foreign exchange contracts at year end sterling values.

Futures contracts

The Scheme holds long and short index futures contracts with economic exposure of £204 million (2019: £106 million) and £202 million (2019: £290 million) respectively. The majority expire within 3 months of year end and are held on various global market indices. The market values of these positions are an asset of £3 million (2019: £2 million) and a liability of £6 million (2019: £1 million) giving a net liability position of £3 million.

Swaps contracts

Contract	Expiration	Nature of Swap	Notional principal £m	Asset £m	Liability £m
Credit default swaps	1 to 43 years	Buying and selling credit exposure	13	-	(2)
Interest rate swaps	1 to 31 years	Paying and receiving fixed for floating	2,384	13	(29)
Currency swaps	2 to 3 years	Buying and selling currency exposure	24	1	-
Equity swaps	1 year	Buying and selling equity exposure	100	2	(1)
Total			**2,521**	**16**	**(32)**

The notional principal amount of the swap is used for the calculation of cash flow only. At the end of the year the Scheme held collateral of £24 million in respect of OTC swaps.

Options

Type of option	Expiration	Notional principal £m	Asset £m	Liability £m
Equity options	1 year	£612	-	(3)
Credit default swap options	1 month	£32	-	(1)

12. Shipping

	2020 £m	2019 £m
Shipping	**148**	161

The Scheme's shipping investments are held through wholly owned subsidiary undertakings. When shipping investments are sold, the period between the initiation and completion of the disposal process can take time.

13. Other financial assets and liabilities

	2020	2019
	£m	£m
Amounts due from brokers	**32**	65
Other debtors	**38**	54
Outstanding income and withholding tax	**1**	2
Amounts due to brokers	**(43)**	(94)
Other creditors	**(46)**	(63)
Total	**(18)**	(36)

14. AVC investments

Members' additional voluntary contributions (AVCs) are invested separately from the Scheme in investments administered by the Prudential Assurance Company Limited. The value of the AVC fund is included in other financial assets, and movements in the AVC fund value are included in the Fund Account. The AVC fund value at 31 March 2020 was £0.2 million (2019: £0.2 million).

15. Securities lending

The Scheme participates in public equity and fixed income securities lending through its custodian, JP Morgan. Approved borrowers are required to provide collateral valued in excess of securities on loan. The value of securities on loan and the collateral provided is shown in the table below.

	Securities on loan 2020 £m	**Collateral provided 2020 £m**	Securities on loan 2019 £m	Collateral provided 2019 £m
Equities	**99**	**105**	128	137
Fixed income securities	**548**	**593**	357	376
Total	**647**	**698**	485	513

16. Fair value hierarchy of assets and liabilities

FRS 102 requires the disclosure of financial instruments held at fair value by class under the following hierarchy:

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

Fair value hierarchy of investment assets and liabilities 2020

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities	936	-	-	**936**
Fixed income securities	1,047	795	892	**2,734**
Property	-	-	1,059	**1,059**
Pooled investment vehicles	-	606	2,691	**3,297**
Derivatives	(7)	-	(178)	**(185)**
Shipping	-	-	148	**148**
Cash and cash equivalents	689	92	-	**781**
Other financial assets and liabilities	(18)	-	-	**(18)**
Total investments	**2,647**	**1,493**	**4,612**	**8,752**

Fair value hierarchy of investment assets and liabilities 2019

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equities	1,205	-	-	**1,205**
Fixed income securities	1,145	701	1,078	**2,924**
Property	-	-	1,197	**1,197**
Pooled investment vehicles	-	876	2,670	**3,546**
Derivatives	1	-	(9)	**(8)**
Shipping	-	-	161	**161**
Cash and cash equivalents	234	149	-	**383**
Other financial assets and liabilities	(36)	-	-	**(36)**
Total investments	**2,549**	**1,726**	**5,097**	**9,372**

Valuation techniques

Equities

Equities are normally quoted at bid prices which are readily available and regularly occurring in active markets from relevant securities exchanges. These are included at level 1 in the fair value hierarchy.

Fixed income securities

The Committee invests in fixed income securities (bonds) which are traded regularly on an active market. They are included at levels 1 and 2 in the fair value hierarchy. In the absence of a quoted price in an active market bonds, which are investment grade, are valued on a 'clean' basis which excludes accrued interest using observable market data such as recently executed transaction prices of securities of the issuer or comparable issuers. They are included at level 2 in the fair value hierarchy.

Secured loans described in note 8 are valued by the investment managers using discounted cash flow techniques for which significant inputs are the amount and timing of future expected cash flows, market yields, current performance and recovery assumptions and applicable publicly available comparable company valuations. Bank loans described in note 8 are traded OTC and are valued using an evaluated bid price provided by a pricing vendor using financial models and comparable market security data. These are included at level 3 within the fair value hierarchy.

Property

The valuation of investment property at the Scheme's year end is performed by C&W who are an external, independent valuer with current knowledge of the relevant markets and the skills and understanding to undertake the valuations competently.

For properties in the course of development, construction and associated costs in respect of both the work completed and the work necessary for completion together with a completion date have been considered. Valuations of completed buildings have been based on an assumption that all works of construction have been carried out in accordance with the building contract and specifications, current British standards and any relevant codes of practice.

The properties have been valued at market value which is primarily derived using comparable recent market transactions on arm's length terms and has taken account of current and estimated annual rents receivable and market yields such as net initial yield, nominal equivalent yield and true equivalent yield. Property investments are included at level 3 in the fair value hierarchy.

Pooled investment vehicles

Pooled investment vehicles which are traded regularly are included at level 2 of the fair value hierarchy. The prices are published by the pooled investment vehicle manager at bid price on a daily or weekly basis.

Unquoted pooled investment vehicles are reported using the net asset value (NAV) of the fund. The NAV is determined by the pooled investment vehicle manager using fair value principles to value the underlying investments of the pooled arrangement. These investments, which can also be subject to redemption notice periods and are not traded regularly, are included at level 3 of the fair value hierarchy.

Derivatives

The investment managers use valuation models which incorporate foreign exchange spot and forward rates and interest rate curves for determining fair values of OTC forward foreign exchange contracts. The valuation techniques include forward pricing using present value calculations and other inputs into these models. These investments are included at level 3 in the fair value hierarchy.
Exchange traded future contracts are stated at fair value using market quoted prices. These are included at level 1 in the fair value hierarchy.

Swaps are valued at the net present value of future cash flows arising therefrom. These are included at level 3 in the fair value hierarchy.

Exchange traded options are valued at the fair value as determined by the exchange price for closing out the option as at the year-end. These are included at level 1 in the fair value hierarchy.

Shipping

With the exception of one vessel, the fair value of shipping investments is derived by obtaining a broker valuation for the vessels. The broker valuation uses the sales comparison approach which is then adjusted by the investment manager for differences in key attributes such as vessel type, features, age, cargo, capacity and potential freight earnings. For the vessel where a broker valuation is not available, the investment manager has determined the value using a discounted cash flow model where significant inputs are the amount and timing of expected future charter income. Shipping investments are included at level 3 in the fair value hierarchy.

Cash and cash equivalents

The Committee invests some Scheme cash in sterling liquidity funds. These funds are pooled investment vehicles which are traded regularly and are included at level 2 in the fair value hierarchy. Cash held in interest bearing bank accounts is included al level 1 in the fair value hierarchy.

17. Concentration of investments

There are no investments in funds as at 31 March 2020 (or as at 31 March 2019) which account for more than 5% of the Scheme's net assets.

18. Investment transaction costs

	Commissions 2020 £m	**Total 2020 £m**	Total 2019 £m
Equities	1	1	1
Property	1	1	1
Total	2	2	2

Included within the purchases and sales figures in the investment reconciliation table in note 6 are direct transaction costs comprising fees, commissions and taxes. The Scheme also incurs indirect transaction costs on private debt, special situations debt, private equity and pooled investment vehicles. Such costs are taken into account in calculating the bid-offer spread of these investments and are not separately reported.

19. Current Assets

	2020 £m	2019 £m
Cash at bank	**17**	19

20. Current Liabilities

	2020 £m	2019 £m
Tax and VAT	**8**	9
Other creditors and unpaid benefits	**1**	1
Total	**9**	10

21. Related party transactions

In accordance with the Agreement dated 13 February 2015, the Trustee paid £500 million to the Guarantor on 1 April 2015, being a part repayment of the former Investment Reserve, which existed prior to the consolidation of the Sub-funds. It is intended that any remaining balance of the Investment Reserve, now known as the Adjusted Reserve (adjusted for increases in CPI between March 2015 and March 2033) will be paid to the Guarantor within twelve months of 31 March 2033. As at 31 March 2020 the balance of the Adjusted Reserve was £1.9 billion.

The Scheme owns UK Government bonds which at the year-end had a market value of £nil (2019: £89 million).

During the year the Scheme paid £85,888 (2019: £174,456) to the Government Actuary's Department (GAD) for provision of actuarial services.

Five members of the Committee were in receipt of a pension from the Scheme. The aggregate amount paid was £205,380 (2019: five members, £201,793).

Members of the Committee are entitled to receive remuneration from the Scheme. The total remuneration paid in the year was £278,800 (2019: £269,900) and is detailed in the Report of the Committee of Management.

CPT is jointly owned by the Scheme and MPS with each appointing four members of their Committees of Management as directors. CPT costs, which are in respect of support services, are included within pensions administration costs in note 4 and were £1.8 million (2019: £1.6 million). CPTI costs, which are in respect of investment advisory services, are included within other advisory fees in note 7 and were £2.3 million (2019: £2.3 million).

The Scheme and the MPS jointly invest in properties and partnerships with a value to the Scheme of £173 million (2019: £168 million).

22. Forward commitments and contingent liabilities not provided for in the accounts

Forward commitments comprise expenditure on investments authorised and contractually committed before the year end which is not provided for in the accounts as it is not yet due. This includes investments in private equity of £386 million (2019: £354 million), special situations debt of £457 million (2019: £632 million) and global and UK infrastructure of £127 million (2019: £245 million) included within the pooled investment vehicle mandate. There were further commitments of £37 million (2019: £31 million) of secured loans included within the fixed income securities mandate and property and development costs of £1 million (2019: £4 million).

Forward commitments in relation to the secured loans, infrastructure and property purchases and development costs will be paid within approximately twelve months of the year end whilst the special situations debt commitments will be paid within two to three years. The timing of private equity funding is uncertain but it is assumed that £127 million (33%) will fall due in the next twelve months and the remaining £259 million in later years.

As explained in note 21 it is intended that any remaining balance of the Adjusted Reserve will be paid to the Guarantor within twelve months of 31 March 2033. As at 31 March 2020, the balance of the Adjusted Reserve was £1.86 billion.

As noted on page 10 in the Report of the Committee of Management, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension 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 will affect the Scheme and will be considering this at a future meeting 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 Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

23. Contingent assets not provided for in the accounts

Claims for the recovery of UK and overseas tax credits valued at approximately £70 million (2019: £70 million) are being processed through the Courts as part of a group arrangement with other UK pension funds.

24. Investment risk and management objectives and policies

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 of 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 the Committee makes to implement its investment strategy. The objective of the Committee is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet the Scheme’s future benefit payments, the Scheme’s expenses and the lump sum payment due to the Guarantor on 31 March 2033, as they fall due.

The Committee sets the investment strategy for the Scheme taking into account considerations such as the Government Guarantee, the Scheme’s future payments and the funding requirements of the Scheme as set out in the Agreement.

The Committee bases its investment philosophy on an assessment of the economic situation, potential economic scenarios and the valuation of assets through time. As a result, the actual asset allocation will change through time as a result of changes to the underlying valuation of different assets and the economic situation. There are no minimum or maximum levels for any asset category or region.

Asset liability modelling, cash-flow projections and other forms of risk analysis are used to estimate the return expectations of the portfolio, the probability of achieving the funding objective and the risks of failing to achieve the funding objective.

Consistent with the above objective and the Committee’s strategic investment framework, separate growth and liquidity porfolios have been established, which take account of the need to grow assets and the need to meet benefit payments. The strategic investment framework has regard to the following:

i) Return objective: Need to deliver returns over the future lifetime of the Scheme sufficient to be able to meet the Scheme's payment obligations in full.
ii) Probability of success: Improve the probability of being able to pay all future member benefits from the Scheme's assets.
iii) Cash-flow coverage: Ensuring that the projected levels of cash, income and asset redemptions are sufficient to meet benefit payments and other contractual requirements over future periods.
iv) Economic scenarios: for all the above measures, consideration of the outcomes across a full range of economic scenarios.

The growth and liquidity portfolios will be reviewed regularly, having regard to the above measures and reflected in an annual investment plan approved by the Committee.

Mandates with the Scheme's investment managers are structured to reflect the investment objectives and risk tolerances. Progress towards the objectives and risk levels are monitored by the Committee by regular reviews of the investment portfolios. Further information on the Committee's approach to risk management and the Scheme's exposures to credit and market risks are set out below.

Credit risk

The Scheme is subject to credit risk because it directly invests in fixed income securities, OTC derivatives, holds cash balances and undertakes securities lending activities.

The Committee also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled fund. This is a result of the Committee being dependent on the pooled investment vehicle manager for delivery of the cash flows and for buying and selling of the shares within the pooled arrangement. The Scheme is also indirectly exposed to credit risks arising on the financial instruments held within the pooled investment vehicles.

A summary of exposures to credit risk is given in the following table, and the notes below, which explain how this risk is managed and mitigated for the different classes:

2020	**Investment grade**	**Non-investment grade**	**Unrated**	**Total**
	£m	**£m**	**£m**	**£m**
Credit risk				
Fixed income securities	1,707	189	838	**2,734**
Pooled investment vehicles	-	-	3,297	**3,297**
Securities lending - collateral cash	47	-	-	**47**
Cash and cash equivalents	781	-	-	**781**
Total	**2,535**	**189**	**4,135**	**6,859**

2019	Investment grade £m	Non-investment grade £m	Unrated £m	Total £m
Credit risk				
Fixed income securities	1,620	341	963	**2,924**
Pooled investment vehicles	-	-	3,546	**3,546**
Securities lending - collateral cash	109	-	-	**109**
Cash and cash equivalents	383	-	-	**383**
Total	**2,112**	**341**	**4,509**	**6,962**

Fixed income securities include a broad range of quoted and unquoted securities, including bonds and loans. Credit risk arising on bonds is mitigated by investing in securities which are rated at least investment grade in accordance with those deemed so by the major ratings agencies or investing in a portfolio of securities where the average credit quality of the portfolio is at least investment grade and limiting the net credit exposure to unrated securities and those below investment grade to 10% of the portfolio's value.

Amounts of holdings in bank loans as described in note 8 which are investment grade and below and are considered a substantial risk are limited. Credit risk on secured loans which are unrated is mitigated by the credit analysis and due diligence work undertaken by the respective investment managers. They ensure that there is adequate security covenant against the loans and there are guidelines within their mandate that require diversification within the portfolio by region, sector and issuer. In the event that a loan becomes impaired and a credit event occurs the investment managers undertake any restructuring processes necessary to protect the interests of the Scheme.

The Committee also manages the credit risk arising on fixed interest securities by requesting the investment managers to diversify the portfolio by sector, industry and issuer and limit investments to any one issuer.

The Scheme is directly exposed to credit risk in relation to the units it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held within the vehicles. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangement being ring-fenced from the pooled manager. The Committee ensures that due diligence checks are undertaken on the appointment of any new pooled investment vehicle managers and any changes to the regulatory and operating environment of the manager is monitored on an ongoing basis. The indirect risk is mitigated by the Committee investing in regulated markets and pooled arrangements where the portfolio of investments is diversified.

Credit risk on OTC derivative contracts (which include forward foreign exchange contracts and swaps) arises due to them not being traded on a regulated exchange and therefore the Scheme is subject to the risk of failure of the counterparty. The credit risk for OTC swaps contracts is mitigated through collateral arrangements and ensuring all transactions in financial instruments are with reputable counterparties.

Cash is held with financial institutions which are at least investment grade credit rated.

As explained in the Investment Report the Scheme participates in securities lending to approved borrowers who are required to provide collateral valued in excess of securities on loan. The Committee re-invests cash collateral received. Credit risk arising is managed by re-investing in permissible securities only, limiting the amount that can be re-invested with a given issuer, re-investing in securities that mature within agreed time limits and have a minimum rating as provided by the major ratings agencies.

Currency risk

The Scheme is subject to currency risk because some of the investments are held in overseas markets, either as segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure).

The table below summarises the Scheme's net unhedged exposure by major currency at the year-end.

	2020	2019
	£m	£m
Direct currency risk		
Brazilian real	**8**	23
Euro	**90**	127
Hong Kong dollar	**81**	113
Indian rupee	**6**	15
Indonesian rupiah	**22**	40
Japanese yen	**48**	26
Korean won	**25**	33
Mexican peso	**7**	10
South African rand	**10**	25
Taiwan dollar	**20**	26
US dollar	**250**	396
Other currencies	**75**	105
Indirect currency risk		
Pooled investment vehicles	**375**	1,220
Total	**1,017**	2,159

The Committee receives advice from CPTI regarding the management of currency risk which assists it in agreeing a currency hedging policy for the respective currency and asset class.

The Committee typically limits overseas currency exposure by hedging a proportion of the overseas investments' currency risk within agreed limits using forward foreign exchange contracts. The currency exposures within the bonds, private debt, special situations debt and shipping mandates were fully hedged at the reporting date. Within the public and private equity and residual global infrastructure mandates exposure to US dollars, euros, Swiss francs and yen are 75% hedged.

Interest rate risk

The Scheme is subject to interest rate risk because some investments are held in fixed income securities and debt included within pooled investment vehicles. The value of these investments is impacted by changes in interest rates which use valuation techniques where interest rates are an input. Loans included within the fixed income securities mandate and debt within the pooled investment vehicles are all based on floating interest rates and therefore carry negligible interest rate risk. They have a duration close to zero and their prices show very little sensitivity to changes in market rates as they are subject to the interest fixing period.

The table below summarises the Scheme's exposure to direct interest rate risk at the year-end.

	2020	2019
	£m	£m
Interest rate risk		
Fixed income securities	**2,734**	2,924
Pooled investment vehicles	**725**	700
Total	**3,310**	3,624

Other price risk

Other price risk arises principally in relation to equities, global and UK infrastructure, property and shipping. Indirect price risk arises in relation to equity investments held within pooled investment vehicles.

The table below summarises the Scheme's exposure to other price risk at the year-end.

	2020	2019
	£m	£m
Direct price risk		
Equities	**936**	1,205
Property	**1,059**	1,197
Shipping	**148**	161
Indirect price risk		
Equity pooled investment vehicles	**2,299**	2,611
Total	**4,442**	5,174

The Committee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

25. COVID-19

During March 2020 and subsequent to the Scheme's year end, there has been significant volatility in the financial markets as a result of the COVID-19 pandemic. The Scheme invests in a broad range of asset classes many of which, such as private equity, private debt, special situations debt, property, infrastructure and shipping, are illiquid in nature. Such assets are valued on a periodic basis, mostly quarterly but others less frequently. At the end of the year to March 2020 these asset classes made up approximately 52% of the overall investment portfolio and while there have been significant falls in other asset classes, it is difficult to assess precisely the full financial effect at the date of issue of the financial statements. As noted in note 9, the valuers of the property assets have included a material uncertainty clause in their valuations as at 31 March 2020. The Trustee continues to monitor the situation and the impact that COVID-19 may have on the future performance of these illiquid assets.

26. Related undertakings of British Coal Staff Superannuation Scheme

In accordance with The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015, a full list of related undertakings, the country of incorporation and the percentage of share class owned as at 31 March 2020 is disclosed below. All undertakings are indirectly owned by BCSSS other than those indicated.

Name of undertaking	**Country of incorporation**	**Share class**	**% held by BCSSS**
Coal Staff Superannuation Scheme Ltd[1]	England &Wales	Limited by guarantee	100[12]
Coal Pension Trustees Services Ltd[1]	England &Wales	£1.00 B Ordinary shares[11]	100[12]
Coal Pension Trustees Investments Ltd[1]	England &Wales	£1.00 Ordinary shares	50
Globe Investments UK Ltd[1]	England &Wales	£1.00 Ordinary shares	50
Coal Pension Securities Nominees Ltd[1]	England &Wales	Limited by guarantee	50
Coal Pension Venture Nominees Ltd[2]	England &Wales	Limited by guarantee	50[12]
Coal Pension Securities Nominees Ltd 1[3]	Guernsey	Limited by guarantee	50[12]
Coal Pension Properties Ltd[4]	England &Wales	Limited by guarantee	50[12]
CPPL (Sefton Park 1) Ltd[4]	England &Wales	£1.00 Ordinary shares	100
CPPL (Sefton Park 2) Ltd[4]	England &Wales	£1.00 Ordinary shares	100
Crucible Residential Properties Ltd[4]	England &Wales	£1.00 Ordinary shares	50[12]
BCSSS Property Holding Ltd[4]	England &Wales	£1.00 Ordinary shares	100
BCSSS Property GP Ltd[4]	England &Wales	£1.00 Ordinary shares	100
BCSSS The Curve Limited Partnership[4]	England &Wales	Limited Partnership	100
Greengate GP Limited Liability Partnership[4]	England &Wales	£1.00 Ordinary shares	45.5
Greengate (Manchester) Limited Partnership[4]	England &Wales	Limited Partnership	45.5
Greengate (Manchester) Nominee Limited[4]	England &Wales	£1.00 Ordinary shares	45.5
Exchange GP LLP[4]	England &Wales	£1.00 Ordinary shares	44.2
Exchange (Birmingham) LP[4]	England &Wales	Limited Partnership	44.2
Beeston Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Thira Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Bacaliaros Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Limassol Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Barbourni Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Cape Town Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Manzanillo Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Malmo ShippingLtd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Gwen Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Elsa Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Roma Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Piraeus Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Anafi Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Dewey Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Donald Shipping Ltd[5]	Isle of Man	$1.00 Ordinary shares	100
BSL Heranger Shipping Ltd[6]	Singapore	$1.00 Ordinary shares	100
BCSSS AAIP Cayman Feeder Ltd[7]	Cayman Islands	$1.00 Ordinary shares	100
BCSSS SSD Ltd[8]	Cayman Islands	$1.00 Ordinary shares	100
BCSSS AEPF3 Ltd[8]	Cayman Islands	$1.00 Ordinary shares	100
BCSSS Investments Ltd[9 and 13]	Jersey	$1.00 Ordinary shares	100
BCSSS Investments 2 Ltd[9 and 13]	Jersey	$1.00 Ordinary shares	100
BCSSS Holdco UK Ltd[10]	England &Wales	£1.00 Ordinary shares	100

The registered office addresses of the above undertakings are as follows:

[1] Ground Floor, Ventana House, 2 Concourse Way, Sheaf Street, Sheffield, S1 2BJ.
[2] C/o Hackwoood Secretaries Ltd, One Silk Street, London, EC2Y 8HQ.
[3] East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3PP.
[4] One Curzon Street, London, W1J 5HD.
[5] St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EE.
[6] 4 Robinson Road, #05-01 The House of Eden, Singapore, 048543.
[7] C/o Maples Corporate Services Ltd, PO Box 309, Ugland House, Grand Cayman, KY-1104, Cayman Islands.
[8] C/o Walkers Corporate Services Ltd, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.
[9] Aztec Group House, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH.
[10] Forum 4, c/o Aztec Financial Services (UK) Ltd, Solent Business Park, Parkway South, Whiteley, Fareham, Hampshire, PO15 7AD.
[11] MPS holds 100% of the £1.00 A Ordinary shares of CPT Services Ltd. CPT Services Ltd is a jointly owned entity of the Scheme and MPS.
[12] Entity held directly by the Scheme.
[13] Formerly BCSSS Investments Sárl and BCSSS Investments 2 Sárl; these companies were re-domiciled in Jersey and renamed.

Independent auditor's report to the Trustee of the British Coal Staff Superannuation Scheme

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of the British Coal Staff Superannuation Scheme (the 'Scheme'):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 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 accordance with the Scheme and Rules set out in the Schedule to the British Coal Staff Superannuation Scheme (Modification) Regulations 1994 and as subsequently amended.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets; and
- the related notes 1 to 26.

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

Basis for opinion

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

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

Conclusions relating to going concern

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.

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 the Trustee

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with the Scheme and Rules set out in the Schedule to the British Coal Staff Superannuation Scheme (Modification) Regulations 1994 and as subsequently amended. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Reading, United Kingdom
27 August 2020

SUMMARY OF THE ACTUARIAL REVIEW AS AT 31 MARCH 2018

An actuarial review of the Scheme is carried out by the Government Actuary every three years. The most recent review was as at 31 March 2018 and is described in my report dated 28 February 2019.

The results of the 31 March 2018 review are set out below. The results are based on a total Scheme asset value of £9,367 million, being the market value as at 31 March 2018. Both the percentage figures quoted below are annual real returns (above RPI) which must be earned over the Scheme's lifetime.

Obligations Percentage: **-0.1% pa**	The real return required on the Scheme's total assets to meet the Scheme's expected future member benefit payments and associated expenses.
Buffer Percentage: **1.2% pa**	The real return required on the Scheme's total assets to meet the Scheme's expected future member benefit payments, associated expenses and a payment to the Guarantor in 2033, equal to the *Adjusted Reserve** indexed in line with CPI inflation.

*The '*Adjusted Reserve*' at the valuation date was equal to the Guarantor's share of the Scheme surplus when the coal industry was privatised, less the parts of that surplus already released to the Guarantor, accumulated with investment returns to 31 March 2015, and CPI inflation thereafter. The *Adjusted Reserve* as at 31 March 2018 was £1,795 million.

The required rates of return determined at the 2018 review were significantly lower than those calculated at the previous review as at 31 March 2015 (when the Obligations and Buffer Percentages were 1.8% pa and 2.8% pa, respectively). The reductions reflect favourable investment performance between 31 March 2015 and 31 March 2018, and changes to the mortality assumptions.

The actuary is also required to advise the Guarantor and the Trustee if, in his opinion, the total value of the Fund is less than will be needed to meet the Scheme's benefit payments and expenses over a period of three years. In my opinion, the Fund is sufficient to meet the Scheme's benefit payments and expenses for a period well in excess of three years.

The valuation results depend on the value of the Scheme assets at the valuation date as well as on the assumptions made; the most important being the assumed rates of inflation (both RPI and CPI) and the future mortality rates.

For more information, please refer to my report dated 28 February 2019. Copies are available from the Scheme Secretary.

Martin Clarke
Fellow of the Institute and Faculty of Actuaries
Government Actuary
12 June 2019

Compliance statement

This statement is included to comply with recommendations contained in the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (2018), issued by the Pensions Research Accountants Group.

1. A printable version of the Pensions Regulator's Guidance for Trustees is available from the Pensions Regulator's website: **www.thepensionsregulator.gov.uk** or a copy is available for inspection at the address of the Scheme Secretary; Ventana House, 2 Concourse Way, Sheaf Street, Sheffield, S1 2BJ.

2. Coal Staff Superannuation Scheme Trustees Limited is registered with the Information Commissioner under the terms of the Data Protection Act 1998.

3. The investments of the Scheme are made in compliance with the Occupational Pension Schemes (Investment) Regulations 2005.

4. Cash equivalent transfer values paid during the year were calculated in accordance with the requirements of the Pension Schemes Act 1993. No discretionary benefits are included in the calculation of transfer values.

5. The Trustee has written agreements in the form of contracts with all major service providers.

6. The Scheme's registration number with the Pensions Regulator is 10151637.

7. The Scheme is a registered pension scheme under the provisions of Schedule 36 of the Finance Act 2004. Accordingly, under the provisions of sections 186 and 187 of the Finance Act 2004 its income and investment gains are free of taxation. However, income from trading activity is not investment income and will be assessed to tax in the normal way.

Changes to the Scheme Constitution, Rules or Basic Information

Constitution of the Scheme

The British Coal Staff Superannuation Scheme is governed by the Scheme and Rules dated October 1994, with subsequent amendments including the changes to the structure of the Scheme following the Sustainability Review and subsequent Agreement dated 13 February 2015.

Amendments to the Scheme and Rules

The power to amend the Scheme and Rules lies with the Guarantor, subject to prior consultation with the Committee.

No Rule amendments were made during the year.

Pension Increases

The Rules provide that guaranteed pensions (in excess of the Guaranteed Minimum Pension (GMP)) should be increased annually in line with the percentage rise in the Retail Prices Index (RPI). The rise in the RPI over the twelve months to November 2019 was 2.2%; guaranteed pensions in payment and deferment were increased by this amount from 1 January 2020.

No discretionary increases were paid during the year.

As a result of the Agreement made between the Trustee and the Guarantor on 13 February 2015, from 1 January 2020 all the bonuses in payment were consolidated into one total level bonus: this total bonus will neither increase nor be reduced thereafter.

Summary of Guarantee Arrangements

The Government Guarantee ensures that the Trustee will always be able to pay the promised benefits; these benefits will also include the consolidated bonuses from 2020.

Actuarial Valuations are performed on a three-yearly basis by the Actuary in order to assess the future returns required on the Scheme's assets in order to pay the benefits and Investment Reserve repayment. The Actuary's Report on the latest valuation as at 31 March 2018 can be found on page 43.

For more information

The Scheme's administration office will be able to provide information and answer questions about Scheme benefits. Questions about the general operation of the Scheme and the policy of the Committee of Management should be addressed to the Scheme Secretary. Mail addressed to a member of the Committee will normally be dealt with by the Secretary.

The Scheme website gives members access to information about the Scheme, online copies of Scheme publications, and forms which can be printed off to notify the Scheme of changes in circumstances. The address is: www.bcsss-pension.org.uk. The Scheme's website also contains a link to the member website, from which members can access their personal Scheme information and update the information the Scheme holds about them.

The administration office address for postal correspondence is:

BCSSS
PO Box 555
Stead House
Darlington
DL1 9YT

The administration function remains at Capita's Sheffield office.

The address for the Secretary is:

The Secretary
BCSSS
Ventana House
2 Concourse Way
Sheaf Street
Sheffield S1 2BJ

This is also the registered office of Coal Staff Superannuation Scheme Trustees Limited.

Copies of the Scheme and Rules, the Annual Report and Accounts, Actuarial Valuation Reports and other Scheme publications are available from the Secretary.

Resolving difficulties

It is expected that most queries about benefits can be resolved by the Scheme's administration office. In the event that a complaint cannot be resolved by the administration office, Scheme members can lodge a formal complaint using the Scheme's Internal Dispute Resolution Procedure. Information about the procedure can be obtained from the Secretary at the address shown on the previous page.

Complainants have recourse to the Pensions Ombudsman (TPO) to assist them in taking their complaint through the dispute process. TPO is appointed by the Government and can be contacted at:

10 South Colonnade
Canary Wharf
E14 4PU

https://www.pensions-ombudsman.org.uk/

The Pensions Regulator (TPR) can intervene if it considers that a scheme's trustees, advisers or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House
Trafalgar Place
Brighton
BN1 4DW

https://www.thepensionsregulator.gov.uk/

BCSSS is registered with the Pension Tracing Service which maintains a list of the up-to-date addresses of pension schemes to assist ex-members trace their rights if they have lost contact with a previous employer's scheme. The address for the Pension Tracing Service is:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

https://www.gov.uk/find-pension-contact-details