Laura Ashley Retirement Benefits Scheme

Statement of Investment Principles

Contents

Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee of the Laura Ashley Retirement Benefits Scheme ("the Scheme"). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. The Principal Employer of the Scheme has become insolvent and the Scheme has entered an assessment period for the Pension Protection Fund ("the PPF"). In preparing this statement the Trustee has obtained advice from Barnett Waddingham LLP, the Trustee's investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5. The investment powers of the Trustee is set out in Clause 16 of the Definitive Deed, dated September 2005. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustee's policy is to set the overall investment target and, in doing so, the Trustee has taken into account the fact that the PPF may assume responsibility for the Scheme or that the Trustee may aim to secure benefits with an insurance company. The Trustee will then monitor the performance of their managers against that target. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in Appendix 1 of this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights (where applicable).

2.3. The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustee will also consult the PPF before amending the investment strategy.

3. Investment objectives

3.1. The Trustee has discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee's main investment objectives are:

- to ensure that they can meet the members' entitlements as they fall due, in accordance with the Trust Deed and Rules and overriding PPF requirements during the PPF assessment period;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's funding level;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet the cost of current benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.2. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustee has obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

4.2. The Trustee considers any guidance set out by the PPF when choosing the Scheme's investments during the PPF assessment period, as well as the possibility of securing benefits with an insurer.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 of this Statement.

5.2. The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 of this Statement.

5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

6.1. The Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. During the PPF assessment period, the investment strategy will be set with consideration of an appropriate level of risk, having consulted with the PPF.
Asset allocation risk	The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustee.
Investment manager risk	The Trustee monitors the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with their investment platform provider. The investment platform provider will have an agreement with the investment manager on the platform, which contains a number of restrictions on how the investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustee has considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations at the discretion of the investment managers.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4. Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position.

8. Realisation of investments

8.1. The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee has considered the risk of liquidity as referred to above.

8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

9.1. The Trustee has set policies in relation to these matters. These policies are set out in Appendix 2.

10. Policy on arrangements with asset managers

The Trustee is required by legislation to have a policy covering various aspects of the Scheme's arrangement with the asset managers through which the Scheme invests.

The Trustee's policies are set out below. It should be noted that the policies are short as much of the legislation is more applicable for ongoing pension schemes with long time-horizons rather than for schemes in a PPF Assessment Period where the time-horizons are much shorter.

Trustee's policies

The Trustee's investment strategy is designed to reduce investment risks by providing a match to the liabilities in a simple and pragmatic way.

This is achieved by investing predominantly in passive gilt funds with a small allocation to corporate bonds (some of which is actively managed).

Given the Scheme's time-horizon is expected to be short and the strategy invests predominately in passive gilts and corporate bonds – with a very small allocation to an active bond fund - the Trustee:

- Does not consider non-financial considerations when selecting, incentivising and monitoring managers and their funds' performance.
- Expects the performance of the passive funds to be close to that of their benchmarks and the performance of the active fund to be close to its objective over all time periods and this is reviewed from time to time.
- Does not actively monitor portfolio turnover costs as these are expected to be modest, and determined by changes to the underlying fund indices, over which the Trustee has no control. The Scheme's small corporate bond holding that is actively managed is expected to have low dealing costs. Trading within the Scheme's passively managed corporate government bond funds is driven by changes to the underlying index, and trading costs are low.
- Plans to retain the existing manager until the Scheme transfers to the PPF or the benefits are secured with an insurance company unless there are any significant changes to the funds, for example in relation to performance, fees or benchmarks, or a significant change to the objectives of the Scheme.
- Expects the investment manager to be voting and engaging on behalf of the Scheme's holdings and, where relevant, the Scheme monitors this activity within the Implementation Statement in the Scheme's Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

11. Agreement

11.1. This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the PPF, the investment managers, the Scheme Actuary and the Scheme auditor upon request.

Signed:..... **Date:**.....30 September 2020

On behalf of the Laura Ashley Retirement Benefit Scheme

Appendix 1 Note on investment policy of the Scheme in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. The Scheme is currently in the process of transitioning to the new allocation below. The transition is expected to be completed by the end of 2020.

Asset Class	Allocation (%)
Nominal gilts	44
Index-linked gilts	40
Corporate bonds	16

Rebalancing

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Scheme's strategy is designed to move in line with the liabilities and therefore the Trustee does not rebalance within control ranges. The Trustee may look to update the strategy to allow for significant changes in the liabilities. However, the Trustee seeks to keep a balance between maintaining the asset allocation in line with its liability benchmark and limiting the associated costs of rebalancing the strategy.

2. Choosing investments

The Trustee has appointed Mobius Life Limited to provide the investment platform for all of the Scheme's investments (excluding AVCs).

Mobius Life Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Legal & General Investment Management ("LGIM") carry out the day-to-day investments for the Scheme.

LGIM is authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for the investment manager are given below:

Fund	Benchmark	Objective
LGIM Over 15 years Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	To track the benchmark to within +/- 0.25% p.a. for two out of three years gross of fees
LGIM All Stocks Index-Linked Gilts Index Fund	FTSE Actuaries UK Index-Linked Gilts All Stocks Index	
LGIM Over 5 Year Index-Linked Gilts Index Fund	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index	
LGIM AAA-AA Fixed Interest Over 15 Year Targeted Duration Fund	To produce a total return in line with the performance of a subset of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index, and capture the yield spread over gilts of AAA-AA rated fixed interest securities	
LGIM Core Plus Fund	Markit iBoxx £ Non-Gilts Index	To exceed the return of the benchmark by +/- 1.15% p.a over a rolling three year period gross of fees

The performance of the investment manager will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

3. Investments and disinvestments

Investments and disinvestments are usually made in line with the prevailing asset allocation.

4. AVC and DC investments

Since the Scheme has entered the PPF Assessment and there are no longer any active participants in the DC section, the Trustee is currently reviewing its options for discharging the AVCs and the DC benefits (with advice from Barnett Waddingham as required).

The Trustee currently invests the Scheme's members' Additional Voluntary Contributions (AVCs) with Legal & General Investment Management, BNY Mellon, Utmost and Phoenix Life.

Details of the previous arrangements DC arrangements, including the default arrangements can be found in Appendix 3. To the extent that they are applicable, the Trustee's investment policies in relation to financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities and arrangements with asset managers are consistent with the policies set out for the DB Scheme.

Appendix 2: Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

Financially material consideration, Socially Responsible Investment and Corporate Governance

- The Trustee believes that environmental, social and governance factors are potentially financially material and therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.
- The Trustee acknowledges that the Scheme is in the PPF Assessment Period and therefore the impact of environmental, social and governance factors is not expected to be hugely significant. In part, this is due to the fact that the time horizon for the investment strategy is not expected to be long and the Scheme invests predominately in passive gilts and corporate bonds.
- Given the assets are predominately in passive gilts and some corporate bonds, the Trustee has not imposed any restrictions relating to ESG issues on their investment manager and has not imposed any exclusions on their investment arrangements based on ESG factors. The Scheme's investment manager does have ESG policies in place, and is also a signatory to the UN Principles of Responsible Investment.

Non-financial matters

- When constructing the investment strategy and selecting investment managers the Trustee does not prioritise non-financial matters.

Engagement activities

- Given the Scheme invests predominately in passive gilts with some corporate bonds; the Scheme does not have a policy in relation to engagement activities.

Appendix 3: Defined Contribution Section

LAURA ASHLEY RETIREMENT BENEFITS SCHEME – DEFINE CONTRIBUTION SECTION

STATEMENT OF INVESTMENT PRINCIPLES

OCTOBER 2019

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Laura Ashley Retirement Benefits Scheme – Defined Contribution Section ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

All information contained in the Statement refers to the Defined Contribution (DC) section of the Scheme only. For information on the Defined Benefit (DB) section, please refer to the Scheme's separate DB SIP.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by its investment consultants JLT Benefit Solutions Limited (JLT, which is a part of Mercer, a Marsh & McLennan Company), whom they believe to have a degree of knowledge and experience that is appropriate for the management of the Scheme's investments; and
- Consulted with the Sponsoring Employer, although the Trustees affirm that no aspect of this strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to ensure its ongoing suitability. Furthermore, the Trustees will review the Statement following any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT RESPONSIBILITIES

2.1 Trustees' Duties and Responsibilities

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body. The Trustee body is not so large as to be unwieldy in its operations. Sub-committees may be formed from time to time to examine specific issues.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- Setting of investment objectives and formulating investment strategy, including the default strategy
- Selecting a list of self-select funds from which members may choose to invest
- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment advisers
- The compliance of the investment arrangements with the principles set out in the Statement

2.2 Investment Adviser's Duties and Responsibilities

The Trustees have appointed JLT as the investment adviser to the Scheme. JLT provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which JLT expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and structure of the default strategy
- Advising on appropriate member fund choices
- Selecting and replacing investment managers

In considering appropriate investments for the Scheme, the Trustees will obtain and consider written advice from JLT, whom the Trustees believe to be suitability qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995, as amended.

JLT monitors the performance of the Scheme's investment managers against their benchmarks. Section 2.3 describes the responsibilities of the investment managers to the Scheme.

JLT will also advise the Trustees of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Scheme is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet their long-term objectives. If the investment manager and fund are not covered by JLT's manager research process, JLT will advise the Trustees accordingly.

Both JLT and the individual investment consultants who advise the Trustees are authorised and regulated by the Financial Conduct Authority ("FCA").

2.3 Investment Managers' Duties and Responsibilities

The Trustees, after considering appropriate investment advice, have appointed Legal & General Investment Management ("LGIM") and Newton Investment Management as the Investment Managers to the DC section of the Scheme.

Details of the pooled funds offered by the investment manager and the basis of the contract between them and the Trustees are set out in Appendix 1.

The Trustees considered a range of active and passive approaches to investment management and assessed these against their investment objectives. The Trustees selected their investment managers having regard to their

ability to provide one or more of the identified fund types and their potential to meet the investment objectives of the Scheme. Before selecting any investment manager, the Trustees ensure that appropriate due diligence is carried out.

The investment manager is responsible for all decisions concerning the selection and de-selection of the individual stocks within the portfolios they manage. In the case of multi-asset and multi-manager mandates, the investment managers are responsible for all decisions concerning the allocation to individual asset classes and to the underlying investment managers, as well as changes in the allocations to individual asset classes and to the underlying investment managers.

All of the investment managers engaged by the Trustees are authorised and regulated by the Prudential Regulation Authority ("PRA"), the FCA or both.

The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. These charges are set out in Appendix 1. The Trustees believe that this is the most appropriate basis for remunerating managers.

2.4 Summary of Responsibilities

A summary of the responsibilities of all relevant parties, insofar as they relate to the Scheme's investments, is set out in Appendix 2.

3 INVESTMENT OBJECTIVES

3.1 Overall Investment Objectives

The Trustees' objectives are to provide members with an investment strategy aligned to the needs of their members that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds and a suitable default strategy. They recognise that in a defined contribution arrangement, members assume the investment risks themselves and that members are exposed to different types of risk at different stages of their working lifetimes.

Details of the approach the Trustees have taken to meet these investment objectives are set out in this Section and also in Section 4.

The Trustees have determined their investment policy in such a way as to address the risks set out in Section 6 of this Statement. To help mitigate the most significant of the risks, the Trustees have:

- Made a lifestyle strategy available as a default solution, which transitions members' investments from higher risk investments to lower risk investments as members approach retirement, and
- Offered a range of self-select funds across various asset classes.

When deciding on the investment options available to members, the Trustees took into account the expected return on such investments and were mindful to offer a range of funds with varying levels of expected returns for members to choose from. The Trustees have also considered the balance between different funds and asset classes used in the default strategy to ensure an appropriate level of diversification and to create a strategy that they believe will maximise member outcomes.

When it comes to realisation of investments, the Trustees consider the impact of transaction costs before making any changes.

The Trustees will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.

The items set out in this Statement are in relation to what the Trustees deem as 'financially material considerations' both for the default strategy and the self-select options. The Trustees believe the appropriate time horizon for which to assess these considerations should be viewed at the overall membership level. This will be dependent on the members' age and when they expect to retire. It is for this reason that the default is a lifestyle strategy (see Section 4).

3.2 Self-Select Fund Choices

To balance the investment needs of members, the Trustees offer a range of self-select funds alongside the default investment strategy. Members can opt out of the default strategy as they have the option to invest in self-select funds. The range of investment options cover multiple asset classes and provide appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.

When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

The Trustees have made the following 5 funds available for self-selecting:

- LGIM Multi-Asset Fund
- LGIM Over 5 Year Index-Linked Gilts Fund
- LGIM Cash Fund
- LGIM UK Equity Index Fund
- Newton Real Return Fund

Further details on these funds can be found in Appendix 1.

The Trustees will continue to keep the fund range under review, and will make changes if appropriate.

3.3 Types of Investments to be Held

The Trustees are permitted to invest across a wide range of asset classes. The majority of funds used in the Scheme are passively managed but active management is utilised for particular asset classes such as cash and diversified growth. The current default uses a passive multi-asset fund, a passive index-linked gilts fund, and an actively managed cash fund.

All of the funds in which the Scheme invests are pooled and unitised. Details of each fund can be found in Appendix 1.

3.4 Additional Voluntary Contributions

The Scheme provides a facility for members to pay additional voluntary contributions to enhance their benefits at retirement. Members are offered the opportunity to invest additional contributions in the same way as the main scheme investments.

4 DEFAULT INVESTMENT STRATEGY

4.1 Aims and Objectives

The lifestyle strategy operates as a default if a member does not wish to make their own selection of funds, and is designed to be appropriate for a typical member of the Scheme.

The Trustees have assumed responsibility for setting the default investment strategy that provides a broad level of protection against the key risks identified in Section 6. This is achieved using a lifestyle arrangement, whereby assets are moved into less risky investments as members approach their selected retirement age.

Members can opt out of the default strategy, and invest in any fund made available in the self-select fund range as described in Sections 3.2.

When deciding on the funds to be used in the default arrangement, the Trustees took into account the expected return on such investments. The Trustees have also considered the balance between different funds and asset classes used in the default strategy to ensure an appropriate level of diversification and to create a strategy that they believe will maximise member outcomes.

4.2 The Default Lifestyle Strategy

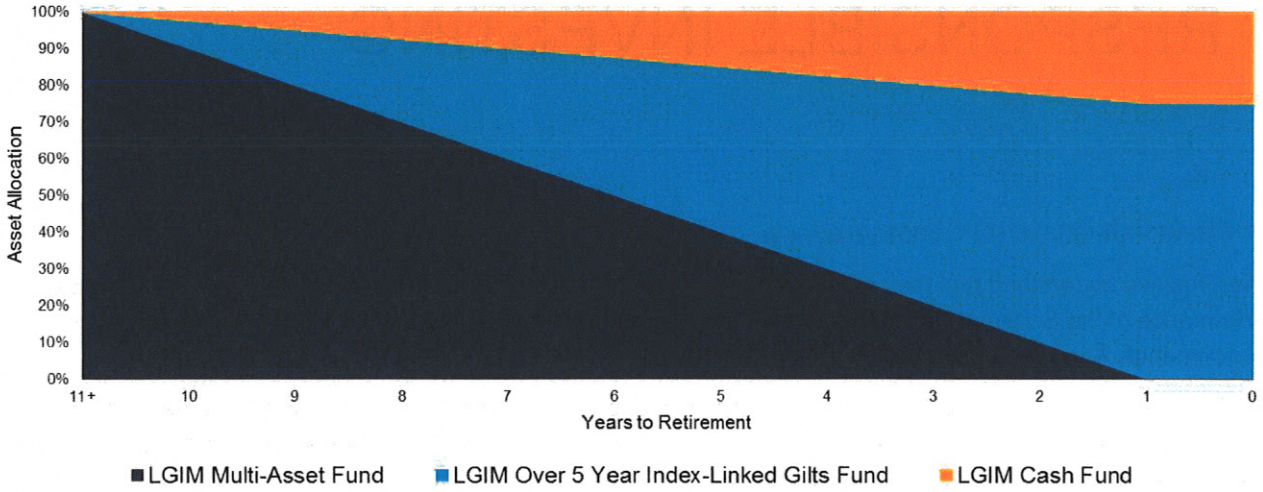
The Trustees have assumed responsibility for setting an investment strategy that provides a broad level of protection against the key risks identified in section 3. This is achieved by using a Lifestyle Strategy.

The default strategy is designed after careful analysis of the membership demographics and other characteristics in order to offer a suitable approach that is tailored to the needs of the Scheme's members. The Trustees will review the default investment strategy at least every three years or after significant changes to the Scheme's demographic profile.

The Scheme's default investment strategy invests in pooled funds managed by Legal & General Investment Managers (LGIM). Members who are more than 11 years from retirement will have their savings invested entirely in the LGIM Multi-Asset Fund (formerly known as the LGIM Consensus Index Fund), a multi-asset fund which invests in a diversified mix of equity, bonds and alternative investments such as property.

When members are 11 years from retirement, their savings begin to gradually move from the Multi-Asset Fund into an Index-Linked Gilts Fund and a Cash Fund, which are also managed by LGIM.

When members are one year from retirement they will have 75% of their assets in the Index-Linked Gilts Fund and 25% in the Cash Fund. This strategy can be depicted in the chart below:



This strategy is therefore tailored towards members who will withdraw their 25% tax-free lump sum and purchase an annuity with their remaining savings once they reach retirement.

Taking into account the demographics of the Scheme's membership and the Trustees' views of how the membership will behave at retirement, the Trustees believe that the current default is appropriate. The Trustees will continue to review this over time, at least triennially, or after any significant changes to the Scheme's demographic, if sooner.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees consider to be financially material considerations in relation to the default investment strategy. The Trustees believe that the appropriate time horizon within which to assess these considerations should be viewed at the membership level. This will be dependent on the members' age and when they expect to retire.

4.3 Members' Best Interests

The Trustees will carry out in-depth investment review triennially or following any significant change in membership, covering not only the performance of the default strategy, but also its design to ensure that it continues to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which takes place quarterly. The Trustees strive to ensure the strategy evolves in line with the Scheme's membership characteristics in order to ensure that assets are invested in the best interests of the members in the default investment strategy.

5 RESPONSIBLE INVESTING

5.1 Financially Material Considerations

The Trustees understand that they must aim to consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

As noted earlier, the Scheme's assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment managers.

Therefore, the Trustees will work with their investment advisers to help select the investment managers that have passed the initial ESG screening. ESG screening will involve some of the following activities, but is not limited to: ensuring the managers are signatories to UNPRI, reviewing the managers' own ESG policies, investigating the extent to which these policies are integrated into their standard procedures of investment research and analysis etc.

The Trustees will continue to review the available products and approaches in this space and strive for the Scheme to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.

5.2 Non-Financial Considerations

The Trustees will only consider factors that are expected to have a financial impact on the Scheme's investments. Non-financial considerations, such as ethical views, will be left to the discretion of the investment manager. However the Trustees believe that they have a good understanding of membership demographics, behaviours and preferences and, where appropriate, strive to provide a fund range that meets both financial and non-financially relevant member needs

5.3 Stewardship Policy

As the Scheme invests in pooled funds, the Trustees' scope to vote on the Scheme's shares directly is currently limited. The Trustees have therefore concluded that the decision on how to exercise voting rights should be left with its investment managers, who will exercise these rights in accordance with their respective published corporate governance policies (which are reviewed by the Trustees on an annual basis). These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders and should be for the Scheme's benefit.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Scheme's underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustees will request a clear rationale from the managers on their alternative approach to stewardship.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise its right in accordance with what it believes to be the best interests of the majority of the Scheme's membership.

The Trustees will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers on an ongoing basis. If the Trustees have any concerns, they will raise them with the respective managers, verbally or in writing.

5.4 Member Views

The Trustees do not explicitly take account of member views when selecting investments for the Scheme. However, the Trustees are committed to reviewing this policy on an ongoing basis.

6 RISK

The Trustees are aware, and seek to take account, of a number of risks in relation to the Scheme's investments, including those set out below. Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed

The Trustees recognise that in a defined contribution money purchase arrangement, members assume the investment risks themselves and members are exposed to different types of risk at different stages of their working lifetimes.

Broadly speaking, the main types of investment risk can be identified are as follows:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market Risk	Inflation Risk	The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).	The Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation. Members are able to set their own investment allocations, in line with their risk tolerances. The default strategy is designed with the intention of diversifying these risks to reach a level of risk deemed appropriate given the objectives. This is set with the advice from the investment adviser.
	Currency Risk	This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.	
	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.	
	Other Price Risk	This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.	
Environmental and social and governance ("ESG") risks		This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets. These risk factors can have a significant effect on the long-term performance of the assets the Scheme holds.	Where applicable these factors will be considered in the investment process but is considered the responsibility of the investment manager. Please see Section 5 for the Trustees' responsible investment statement.

Pension Conversion Risk	This is the risk where assets are invested to target a specific retirement objective which differs from how members are expected to use their pots at retirement.	The default is a lifestyle strategy which automatically switches member assets into investments whose value is expected to be less volatile on an absolute basis. The Trustees believe this strategy targets the retirement outcome that is most suitable for the Scheme's membership.
Manager risk	This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.	It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the manager's investment process through the quarterly performance updates provided by the investment manager.
Liquidity risk	The risk that the Scheme's assets cannot be realised at short notice in line with member or Trustees' demand.	As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required. It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.

7 MONITORING OF INVESTMENT ADVISER AND MANAGERS

7.1 Investment Adviser

The Trustees continually assess and reviews the performance of its adviser in a qualitative way.

7.2 Investment Managers

The Trustees receive regular reports from the individual investment managers outlining the performance and valuation of the Scheme's investments.

JLT will advise the Trustees of any significant developments of which it is aware relating to the underlying investment managers, or funds managed by the underlying investment managers in which the assets of the Scheme are invested, such that in JLT's view there exists a significant concern that these funds will not be able to meet their long-term objectives.

The Trustees also monitor the stewardship track record of the Scheme's underlying investment managers on an annual basis and will take action if this is found inconsistent with appropriate long-term return generation.

8 CODE OF BEST PRACTICE

The Pensions Regulator has published a new code on standards for DC schemes and this came into effect in November 2013 as part of a wider initiative to get DC right. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places bigger than ever emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustee. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase

When formulating their investment policy, the Trustees have acted in line with the Code of Practice 13.

9 COMPLIANCE

The Scheme's Statement of Investment Principles is available to members online.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment managers, auditors and administrators.

This Statement of Investment Principles, taken as a whole with the Appendices was approved by the Trustees on ……..

Signed on behalf of the Trustees by ....

On 1 OCTOBER 2019 .....

Full Name DINESH VISAVADIA .....

Position CHAIR .....

APPENDIX 1: INVESTMENT MANAGER INFORMATION AND DEFAULT LIFESTYLE STRATEGY

For members who are invested in the default lifestyle strategy the following table sets out the switches between the funds that will be carried out on a member's behalf up to their retirement date:

Default Lifestyle Strategy			
Years to TRA*	**LGIM Multi-Asset Fund**	**LGIM Over 5 Year Index-Linked Gilts Fund**	**LGIM Cash Fund**
+11	100%	0%	0%
10	90%	7.5%	2.5%
9	80%	15%	5%
8	70%	22.5%	7.5%
7	60%	30%	10%
6	50%	37.5%	12.5%
5	40%	45%	15%
4	30%	52.5%	17.5%
3	20%	60%	20%
2	10%	67.5%	22.5%
1	0%	75%	25%
0	0%	75%	25%

*Target Retirement Age

The Trustees will monitor the suitability of the funds used on an ongoing basis and make changes as they consider appropriate.

The table overleaf shows the details of the investments held, along with their Total Expense Ratios (TERs), calculated with additional expenses correct as at 31 August 2018.

Default Strategy Funds

Manager / Fund	Benchmark	Objective	TER (% p.a.)
LGIM Multi-Asset Fund	ABI Mixed Investment 40-85% Shares Sector	To provide long-term investment growth through exposure to a diversified range of asset classes, excluding physical property.	0.250
LGIM Over 5 Year Index-Linked Gilts Fund	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index	To track the performance of the benchmark to within +/-0.25% p.a. for two years out of three.	0.100
LGIM Cash Fund	LIBID 7 Day GBP	To perform in line with the benchmark, without incurring excessive risk.	0.125

Self-Select Funds

Manager / Fund	Benchmark	Objective	TER (% p.a.)
LGIM Multi-Asset Fund	ABI Mixed Investment 40-85% Shares Sector	To provide long-term investment growth through exposure to a diversified range of asset classes, excluding physical property.	0.250
LGIM Over 5 Year Index-Linked Gilts Fund	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index	To track the performance of the benchmark to within +/-0.25% p.a. for two years out of three.	0.100
LGIM Cash Fund	LIBID 7 Day GBP	To perform in line with the benchmark, without incurring excessive risk.	0.125
LGIM UK Equity Index Fund	FTSE All Share Index	To track the performance of the benchmark	0.100
Newton Real Return Fund	1 month GBP LIBOR	To outperform the benchmark by +4% p.a. gross of fees over 5 years	0.350*

*Excluding performance fee

Realisation of Investments

The funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustees or member demand. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.

APPENDIX 2: RESPONSIBILITIES OF PARTIES

Trustees

The Trustees' responsibilities include the following:

- Reviewing at least triennially and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Selecting the Investment Managers
- Assessing the quality of the performance and processes of the Investment Managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the Sponsoring Employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis
- Publishing this Statement on a publically available website and informing members of the location

Investment Adviser

The Investment Adviser's responsibilities include the following:

- Participating with the Trustees in reviews of the Statement of Investment Principles
- Advising of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Scheme is invested, such that in its view there is a significant concern that any of these funds will not be able to meet its long term objectives.
- Updating the Trustees on changes in the investment environment, and advising the Trustees, at their request, on how such changes could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
  - Reviews of the default strategy, white labelled funds and fund range; and
  - Research into and reviews of Investment Managers.
- Advising on the selection of new managers and/or custodians

Investment Managers

The Investment Manager's responsibilities include the following:

- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios
- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund in which the Scheme is directly invested as and when they occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments