

1 Background

Purpose of Statement	This Statement sets out the principles governing decisions relating to the investment of the assets of the Morrison CARE Pension Scheme (the Scheme), together with the Scheme's current investment strategy.
Nature of Scheme	The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC).
Compliance with Legislation	The Statement has been prepared to comply with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
Availability to Members	A copy of this Statement will be made available to Scheme members on request to the Trustee of the Scheme, Punter Southall Governance Services, via BBS Consultants & Actuaries Ltd.
Investment Advice	<p>The Trustee will obtain and consider professional advice on the content of this Statement from BBS Consultants & Actuaries Ltd (BBS), the appointed investment adviser to the Scheme. BBS has confirmed to the Trustee that it has the appropriate knowledge and experience to give the advice required under legislation.</p> <p>The Trustee will thereafter obtain such advice as it considers appropriate and necessary whenever it intends to review or revise this Statement.</p>
Consultation with the Principal Employer	<p>The Trustee has consulted the Principal Employer, Morrison Utility Services Limited, when setting the investment objectives and strategy, and in the preparation of this Statement.</p> <p>Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustee.</p>
Investment Powers	The Trustee's investment powers are set out in Rule 20.2 of the Rules dated 30 March 2006. The powers granted to the Trustee are wide and this Statement is consistent with those powers.

2 Investment Objectives

Strength of Employer Covenant	<p>In determining its investment objectives and strategy, the Trustee has made the assessment that the Principal Employer's willingness and ability to finance the Scheme permits a long-term view to be taken.</p>
Key Funding Measure	<p>The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustee's Statement of Funding Principles.</p> <p>In determining its investment objectives and strategy, the Trustee has agreed that the funding position measured under the SFO is the assessment of scheme funding that is of most importance to the Trustee, the Principal Employer and members, as it determines the Scheme's funding requirements and members' long-term benefit security.</p>
Investment Objectives	<p>The Trustee's investment objectives are as follows:</p> <ul style="list-style-type: none">• To ensure that the assets are of a nature to enable the Trustee to meet the Scheme's benefits as they fall due;• To invest the Scheme's assets in an appropriately diverse and liquid range of investments;• To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustee's funding plan have a reasonable chance of being achieved in practice;• Where future opportunities arise to increase protection against liability-related risks in such a way that does not invalidate the funding plan, the Trustee will consider steps to reduce the volatility of the Scheme's funding position relative to its liabilities calculated under the SFO.
Paying Regard to the Principal Employer's Views	<p>The Trustee will have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.</p>

3 Principles for Setting the Investment Strategy

Selection of Investments

The Trustee may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure.

The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.

The Trustee may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.

The Trustee may also hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it.

The Trustee may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.

Balance of Investments

The Trustee will set a Target Asset Allocation from time to time, determined with the intention of meeting its investment objectives.

The Target Asset Allocation will be set taking account of the nature of the Scheme's liabilities, the Trustee's perception of the strength of the employer covenant and the characteristics of different asset classes available. The Target Asset Allocation will be reviewed periodically, in light of any changes to the above factors or relevant regulations governing pension scheme investment.

Delegation to Investment Managers

The Trustee will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.

Realising Investments

The Trustee makes disinvestments from the Investment Managers with the assistance of its administrators, BBS, as necessary, to meet the Scheme's cash-flow requirements.

4 Setting the Strategy

Target Asset Allocation

The Target Asset Allocation for the Scheme's assets is as follows:

Asset Class	Target Asset Allocation
Global equities	50.0%
Multi-asset funds	50.0%
Total	100.0%

Investment Managers

The Trustee entered into contracts with Legal & General Investment Management Limited Ltd (LGIM) in May 2006 and Ruffer LLP (Ruffer) in June 2010. These companies undertake day-to-day investment management of the Scheme's assets.

The Investment Managers are authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

Funds Used

The Trustee uses the following funds operated by the Investment Managers, which are given together with their Target Asset Allocation within the overall strategy.

Fund	Target Asset Allocation
Global equities	
LGIM Global Equity Fixed Weights 50:50 Index Fund	50.0%
Risk-controlled multi-asset funds	
LGIM Dynamic Diversified Fund	25.0%
Ruffer Absolute Return Fund	25.0%

Maintaining the Target Asset Allocation

The Trustee has responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation. The Trustee monitors the Target Asset Allocation on a regular basis with the assistance of its investment adviser, BBS, and considers switching assets between funds should the allocation move significantly away from the Target Asset Allocation.

**Performance
Benchmark and
Objective**

The LGIM global equity fund is an index-tracking vehicle, meaning that its objective is to track the total return from a specified market within an agreed margin. The benchmark and agreed tracking margin below:

Fund name	Benchmark	Tracking Margin
LGIM Global Equity Fixed Weights 50:50 Index Fund	50% FTSE All Share index : 50% subsections of FTSE All World overseas index, maintained as 17.5% Europe (ex-UK): 17.5% North America: 8.75% Japan and 6.25% Asia Pacific (ex-Japan).	±0.39% p.a. (gross of fees)

The LGIM and Ruffer risk-controlled multi-asset funds are actively managed, with objectives to generate a return well in excess of that on cash, whilst managing volatility in returns. This is summarised below:

Fund name	Benchmark	Performance target
LGIM Dynamic Diversified Fund	Bank of England Base Rate	To outperform the benchmark by 4.5% p.a. (gross of fees) over rolling three-year periods
Ruffer Absolute Return Fund	Cash, e.g. 3-month LIBOR	To generate a return of at least twice the benchmark return (net of fees) whilst preserving capital over rolling twelve month periods

**Investment
Management
Charges**

The annual management charges for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge
LGIM Global Equity Fixed Weights 50:50 Index Fund	0.165% p.a. on the first £2.5 million under management 0.155% p.a. on the next £7.5 million under management
LGIM Dynamic Diversified Fund	0.38% p.a.*
Ruffer Absolute Return Fund	1.20% p.a.

*Discounted from 0.50% p.a. until further notice

In addition, LGIM make a flat charge of £1,500 per annum to cover administration services.

**Employer Related
Investment**

Neither the Trustee nor the Investment Managers directly hold any employer related investments.

**Additional
Voluntary
Contributions
(AVCs)**

The Scheme does not hold any assets in respect of AVCs.

5 Expected Returns and Risks

Overall Return Target

The Trustee's overall return target is for the Scheme's assets to produce a return in excess of the growth in the value of its liabilities calculated under the SFO.

The Trustee expects the assets to produce a return in excess of the growth in the value of the Technical Provisions of between 0.9% per annum and 3.2% per annum over the medium to longer term, depending on the level of prudence adopted in assessing future expected returns

Expected Returns

Over the long-term, the Trustee's expectation is to achieve the following long-term rates of return from the investment approaches used in the strategy:

Asset Class	Expected return
Global equities	In excess of UK price inflation as measured by the Retail Prices Index.
Multi-asset	Comparable with the return from global equities over an economic cycle of five to seven years, with significantly reduced volatility.

Consideration of Risks

The Trustee has considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and considers that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the employer covenant and the long-term nature of the Scheme.

Risk Relative to the Value of the Scheme's Key Funding Measure

The Target Asset Allocation has been determined with due regard to the characteristics of the Scheme's Technical Provisions.

The calculation of the Scheme's Technical Provisions uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the Technical Provisions are sensitive to changes in the price of these assets as market conditions vary, and can have a volatile value.

The Trustee accepts that the investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustee also accepts that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's Technical Provisions.

Concentration of Risk and Diversification

To reduce the risk of concentration within the portfolio, the Trustee will monitor the overall mix of asset classes and stocks in the investment strategy with its investment adviser, BBS.

The Trustee invests in a range of securities and asset classes through the funds they use and consider the Scheme's strategy to be appropriately diversified.

Manager Controls and Custodianship	<p>The day-to-day activities that the Investment Managers carry out for the Trustee are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.</p> <p>Safe-keeping of the assets underlying the Scheme’s investments with LGIM and Ruffer is performed by independent custodians appointed by the Investment Managers.</p>
Manager Security	<p>The Trustee has considered the financial security of the Scheme’s holdings with the Investment Managers, together with their status as regulated firms, and considers the associated protection offered to investors to be reasonable and appropriate.</p>
Monitoring and Management of Risks	<p>The Trustee will monitor the investment and funding risks faced by the Scheme with the assistance of its investment advisers and the Scheme Actuary at least every three years. The Trustee will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.</p> <p>In addition, the Trustee will review wider operational risks as part of maintaining its risk register for the Scheme.</p>

6 Responsible Investing, Governance and Engagement

Financially Material Considerations Related to Environmental, Social and Governance Considerations	<p>The Trustee recognises that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.</p> <p>The Trustee delegates responsibility for day-to-day decisions on the selection of investments to the Investment Managers. The Trustee has an expectation that the Investment Managers will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme’s underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.</p> <p>The Trustee does not currently impose any specific restrictions on the Investment Managers with regard to ESG issues, but will review this position from time to time. The Trustee receives information from the Investment Managers on their approach to selecting investments and engaging with issuers with reference to ESG issues.</p> <p>With regard to the specific risk to the performance of the Scheme’s investments associated with the impact of climate change, the Trustee takes the view that this falls within its general approach to ESG issues. The Trustee regards the potential impact of climate change on the Scheme’s assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme’s funding position than other risks. The Trustee will continue to monitor market developments in this area with its investment adviser.</p>
Views of Members and Beneficiaries	<p>The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustee therefore does not explicitly seek to reflect any specific views through the implementation of the investment strategy.</p>
Engagement and Voting Rights	<p>Responsibility for engagement with the issuers of the Scheme’s underlying investment holdings and the use of voting rights is delegated to the Investment Managers. The Trustee can therefore only influence engagement and voting policy indirectly.</p> <p>The Investment Managers provide, on request, information to the Trustee on their actions in relation to engagement and use of voting rights. The Trustee is therefore aware of the policies adopted by the Investment Managers.</p>
Capital Structure of Investee Companies	<p>Responsibility for monitoring the make up and development of the capital structure of investee companies is delegated to the Investment Managers. The Trustee expects the extent to which the Investment Managers monitor capital structure to be appropriate to the nature of the mandate.</p>

Conflicts of Interest

The Trustee maintains a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Managers, while also setting out a process for their management.

Incentivisation of Investment Managers

The Investment Managers are primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustee does not directly incentivise the Investment Managers to align the approach they adopt for a particular fund with the Trustee's policies and objectives. Instead, the Investment Managers and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustee's objectives.

Neither does the Trustee directly incentivise the Investment Managers to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

7 Review and Monitoring

Frequency of Review	The Trustee will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment.
Monitoring the Investment Strategy and Managers	<p>The Trustee employs BBS to assist it in monitoring the performance of the Scheme's investment strategy and Investment Managers.</p> <p>The Trustee receives quarterly reports from the Investment Managers and meets with their representatives periodically to review their investment performance and processes.</p> <p>The Trustee and BBS will monitor the Investment Managers' performance against their performance objectives.</p> <p>The appropriateness of the Investment Managers' remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.</p>
Portfolio Turnover Costs	<p>The Trustee expects the Investment Managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.</p> <p>The Trustee therefore does not set a specific portfolio turnover target for its strategy or the underlying funds.</p> <p>The Investment Managers provide information on portfolio turnover and associated costs to the Trustee so that this can be monitored, as appropriate.</p>
Review of Investment Managers	The Trustee will consider on a regular basis whether or not the Investment Managers remain appropriate to continue to manage the Scheme's investments.
Information from Investment Managers	The Investment Managers will supply the Trustee with sufficient information each quarter to enable them to monitor financial and non-financial performance.

Signed

Name

James Double

Date

30 September 2019

On behalf of the Trustee of the Morrison CARE Pension Scheme