

**HOWARD DE WALDEN ESTATES
LIMITED RETIREMENT BENEFITS
SCHEME
STATEMENT OF INVESTMENT
PRINCIPLES – 2019 EDITION**

SEPTEMBER 2019

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Howard De Walden Estates Limited Retirement Benefits Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

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 their investment consultants, JLT Investment Consulting, a trading name of JLT Benefit Solutions (which is a part of Mercer, a Marsh & McLennan Company); and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their 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 coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after 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 OBJECTIVES

The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3 INVESTMENT RESPONSIBILITIES

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

- The regular approval of the content of the Statement
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and the Scheme Actuary
- The appointment and review of the investment managers and Investment Adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at total scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2. INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed JLT as the independent 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 asset allocation
- Determining an appropriate investment structure
- Framing manager mandates
- Selecting and replacing investment managers
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustees may seek advice from JLT with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). JLT may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on JLT to be proactive in all circumstances.

The Trustees monitor the performance of the Scheme's investment managers against their benchmarks. JLT will provide quarterly performance monitoring reports to aid the Trustees in this process.

JLT is remunerated primarily on a time-cost basis. JLT does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice. The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

JLT is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3. INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees have appointed professional, authorised investment managers to manage the assets of the Scheme.

The details of each manager's mandate are set out in Appendix 3.

In particular, the investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

All of the investment managers engaged by the Trustees are authorised and regulated by the FCA.

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

3.4. SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the scheme administrators, so far as they relate to the Scheme's investments, is set out in Appendix 4.

4 INVESTMENT STRATEGY

4.1. SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their Investment Adviser.

The basis of the Trustees' strategy is to divide the Scheme's assets between a "growth" portfolio, comprising assets such as equities, Multi-Asset funds and property, and a "stabilising" portfolio, comprising assets such as corporate bonds and gilts. The basis of the split between these two portfolios is that growth assets are held in respect of the liabilities pertaining to active and deferred members and stabilising assets are held in respect of pensioner liabilities. The growth-stabilising allocation is also set with regard to the overall required return objective of the Scheme's assets, which is determined by the funding objective and current funding level.

The Trustees have established a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 1.

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustees to commit the resources necessary to make these decisions themselves.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 2.

4.2. INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from their Investment Adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

4.3. TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Infrastructure
- Liability driven investment products
- Cash

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

4.4. FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must 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 their investment managers.

ESG is considered by the JLT Manager Research Team when rating investment managers. The Trustees take these ratings and ESG considerations into account in the selection, retention and realisation of investments. If available, the ESG or Responsible Investment policies of the managers of Scheme's assets are provided to the Trustees from time to time. The Trustees will challenge an investment manager should they deem its approach out of line with the view of the Trustees.

4.5. 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, are not implemented in the current investment strategy. The views of the members of the Scheme will not be sought.

4.6. CORPORATE GOVERNANCE AND VOTING POLICY

The Trustees have concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. The Scheme's asset classes that include equity investments (passive equities, growth portfolio and property) will exercise voting rights. The policies of the managers of these assets that 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.

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

4.7. STEWARDSHIP

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

5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Scheme's investments, including the following:

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. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

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 managers' investment process.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Environmental

- This risk that improper, or inadequate, consideration of environmental factors could lead to adverse investment performance and / or reputational damage to the Scheme.
- The day to day management of environmental risk is the responsibility of the companies in which the Scheme's underlying managers have invested. Given the Trustee is invested in pooled funds the Trustee will rely on the investment manager to ensure that these companies have sufficient procedures and processes in place in order to mitigate this risk as far as is reasonably possible.

Social

- This is the risk that social factors are not properly considered within the investment decision making process. Social risks can arise both within and external to a company, e.g. internal factors could include workplace health & safety whilst external factors may include a company's impact on the area surrounding their place of business.
- The day to day management of social risk is also the responsibility of the companies in which the Scheme's underlying managers invest. It is the responsibility of the investment manager to ensure that these companies have sufficient procedures and processes in place in order to mitigate these risks as far as is reasonably possible.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the Sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the Sponsor's business, as measured by a number of factors, including the creditworthiness of the Sponsor and the size of the pension liability relative to the Sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the Sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes.
- The Plan invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Plan's holdings in certain pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environment in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following three types of risk:

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.
- The Trustees acknowledge that currency risk related to overseas investments is delegated to, and hedged where deemed appropriate, by the underlying investment managers.

Interest rate risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.

- The Trustees acknowledge that the interest rate risk related to individual debt instruments is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps.
- The Trustees have therefore invested in Matching Index Linked Gilt funds to manage this risk, so as to provide some hedging against the interest rate and inflation risk inherent within the Plan's liabilities.

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, infrastructure and property.
- The Trustees acknowledge that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way.

6.2 INVESTMENT MANAGERS

The Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from JLT.

The reporting reviews the performance of the Scheme's individual funds against their benchmarks, of the Scheme's assets in aggregate against the Scheme's strategic benchmark.

7 CODE OF BEST PRACTICE

The Trustees note that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustees have received training in relation to this guidance and are satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme's circumstances.

The Trustees meet with their investment adviser on a regular basis, monitoring developments both in relation to the Scheme's circumstances and in relation to evolving guidance, and will revise the Scheme's investment approach if considered appropriate.

8 COMPLIANCE

The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request.

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

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on 17 July 2019.

Signed on behalf of the Trustees by	<u>M. Kildea</u>	<u>Peter Barton</u>
On	<u>22/11/19</u>	<u>26 November 2019</u>
Full Name	<u>MR. M. KILDEA</u>	<u>M. PETER BARTON</u>
Position	<u>TRUSTEE</u>	<u>TRUSTEE</u>

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation (%)	Guideline Range (%)
Growth Assets	50	+/- 10
LGIM World Equity Index Fund	10	+/- 5
Cazenove Growth Portfolio	35	+/- 5
Schroders UK Property Fund ¹	5	+/- 5
Stabilising Assets	50	+/- 10
Schroders Matching Index Linked Gilt Fund (2038-2047)	3	+/- 5
Schroders Matching Index Linked Gilt Fund (2048-2057)	2	+/- 5
Schroders Long Dated Corporate Bond Fund	20	+/- 5
Cazenove Bond Portfolio	25	+/- 5
Total	100	-

Note 1 – given the illiquid nature of property investments, it is not expected that the property allocation will be rebalanced.

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

The Trustees consider the application of cashflows on a case by case basis. Where possible, cash outflows will be met from cash balances held by the Scheme and from income from the Scheme's investments in order to minimise transaction costs.

Investments or disinvestments should be applied in such a way as to bring the actual asset allocation closer to the strategic asset allocation, subject to consideration of liquidity issues, transaction costs, market conditions and the speed with which monies are required.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Scheme invests with the following investment managers:

- Legal & General Investment Management ("LGIM")
- Schroder Investment Management Ltd ("Schroders")
- Cazenove Capital Management ("Cazenove")

The tables below show the details of the mandate(s) with each manager.

GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Developed Equities				
LGIM World Equity Index Fund	FTSE AW – World Index	To track the performance of the FTSE AW World Index (less withholding tax if applicable) to within +/- 0.5% p.a. for two years out of three.	Weekly	(b) / 2
Multi Asset Growth Portfolio				
Cazenove Growth Portfolio	A composite benchmark which consists of the FTSE All-Share Index, FTSE World (ex-UK) Index and 7 Day LIBID.	To outperform the composite benchmark	Daily	(b) / 2
Property				
Schroders UK Property Fund	IPD Property Fund Index – All Balanced Funds Index Weighted Average	To outperform the benchmark by 0.5% p.a. (after fees) over rolling 3 year periods	Monthly	(c) / 3

STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	SORP / IFRS Class
Index-Linked Bonds				
Schroder Matching Index Linked Gilt Fund (2038-2047)	To provide exposure to the return on long-dated index-linked gilts	To provide exposure to the return on long-dated index-linked gilts	Daily	(b) / 2
Schroder Matching Index Linked Gilt Fund (2048-2057)	To provide exposure to the return on long-dated index-linked gilts	To provide exposure to the return on long-dated index-linked gilts	Daily	(b) / 2
Corporate Bonds				
Schroder Long Dated Corporate Bond Fund	ML Sterling Non-Gilts All Stocks Over 15 Years Index	To outperform the benchmark by 0.5% p.a. (after fees) over a three year rolling period.	Daily	(b) / 2
Multi Bond Portfolio				
Cazenove Bond Portfolio	FTSE All Stocks Gilts Index	To outperform the benchmark	Daily	(b) / 2

For avoidance of doubt, this SIP will not be updated solely in response to a replacement of one of the underlying investment managers.

APPENDIX 4: RESPONSIBILITIES OF PARTIES

TRUSTEES

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of the Statement in consultation with the Investment Adviser and the Sponsoring Employer, and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- Appointing and review of the investment managers and custodian (if required)
- 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

INVESTMENT ADVISER

The Investment Adviser's responsibilities include the following:

- Participating with the Trustees in reviews of this Statement
- Production of performance monitoring reports
- Advising the Trustees, at their request, on the following matters:
 - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
 - How any significant changes in the investment managers' organisations could affect the interests of the Scheme
 - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
 - Reviews of asset allocation policy
 - Research into and reviews of the investment managers
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGERS

As noted in this SIP, the Trustees have appointed professional, authorised investment managers.

The investment managers' 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 used by the Scheme as and when these occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Giving effect to the principles contained in the Statement as far as is reasonably practicable

SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the investment managers according to the Trustees' instructions.

