

# Robin Mills Properties Retirement Benefits Scheme

## Statement of Investment Principles

November 2023

# Statement of Investment Principles

The Trustees of Robin Mills Properties Retirement Benefits Scheme ("the Scheme") have prepared this Statement of Investment Principles ("the SIP") to describe the Scheme's investment policy.

It has been prepared in accordance with the Pensions Act 1995 ("the Act") as amended and the Occupational Pension Scheme (Investment) Regulations 2005.

It supersedes the previous SIP and reflects the investment policy agreed by the Trustees in respect of both the traditional defined contribution members (Subtype 3 members) and those members who also have a defined benefit underpin (Subtype 2 members).

This SIP will be reviewed at least every three years or immediately after any significant change in investment policy.

Before preparing this SIP the Trustees have:

- Obtained and considered the written advice from the Scheme's Investment Consultant, XPS Investment Ltd, who is suitably qualified through ability and experience and has appropriate knowledge.
- Consulted the Employer, Robin Mills Properties Ltd.

## Investment governance

The Trustees set the investment policies for the Scheme including decisions regarding the overall strategic allocation and the allocations between different asset classes.

Before making decisions regarding strategy, the Trustees take advice from their investment consultant and consider factors including (but not limited to) the Scheme's liabilities, the strength of the sponsor covenant, the expected return on assets, risks and fees. The Trustees are also cognisant of the Government's voluntary code of conduct for UK institutional investment known as "the Myners Principles".

The Trustees have delegated the day-to-day management of the Scheme's assets to investment managers as permitted under Section 34 of the Act. Each of the managers is authorised and regulated by the Financial Conduct Authority or a similar local regulatory authority as required.

The Investment Manager will exercise their investment powers in accordance with the Act, relevant and subsequent regulations, and this SIP. The Trustees rely on the Investment Managers to appoint third parties for the pooled funds as appropriate. For example, Custodians/Administrators who are responsible for the safekeeping of the assets and keeping records of the Scheme's entitlement within the pooled funds.

## Investment objectives and strategy (Subtype 2 members)

### Investment objectives

Subtype 2 members are defined contribution members of the Scheme whose benefits are subject to a defined benefit underpin. This means that there is a minimum defined level of benefit the Scheme will be required to pay. However, in the event of favourable investment performance, members may receive a higher level of benefit.

For these members, the Trustees' primary objective is to ensure that the Scheme holds sufficient assets in order to meet the guaranteed minimum defined benefit promises made to members as they fall due. The Trustees' policy for meeting this objective is set out in the Statement of Funding Principles, dated May 2022.

The latest triennial funding valuation carried out as at 1 August 2021 revealed a shortfall. Due to this, a Recovery Plan was put in place that sets out the contributions to be paid by the Employer and the required rate of return of the Scheme's assets to eliminate the deficit.

The current Recovery Plan requires the Scheme's growth assets to generate expected returns in line with the discount rates specified in the Statement of Funding Principles. This assumes that the proportion of current assets that are invested in growth assets is in line with the proportion of pre-retirement liabilities and these assets are assumed to provide returns in line with gilts plus 2.0% p.a.. The remainder of the Scheme's assets are assumed to be in line with the proportion of post-retirement liabilities and these assets are assumed to provide returns in line with gilts plus 0.6% p.a.

Based upon the above, the Trustees' investments objectives are:

- To achieve a fully funded position based on the principles set out in the Statement of Funding Principles as described above.
- To implement an investment strategy targeting a return either in line with or in excess of the return required by the Recovery Plan.
- To invest members' funds in such a way as to generate meaningful levels of expected return giving members opportunity to benefit from favourable investment performance. However, where the Trustees deem that there is no realistic chance of a member's fund providing a greater benefit than the defined benefit underpin, the Trustees have discretion to invest the member's fund in assets that are less risky in nature in order to protect the Scheme's funding position.
- To invest additional funds held in excess of members' pots (the contingency fund) in assets which provide some liability matching characteristics in order to control volatility in the funding position.
- To adhere to the provisions contained within this SIP.

### Investment strategy

The Trustees intend to meet the investment objectives by investing in a wide range of passively and actively managed investments, including (but not limited to):

- Matching assets primarily chosen to reduce liability risk (typically movements in long term interest rates and inflation) including gilts, swaps and repos, including the use of derivatives.
- Growth-seeking assets chosen to outperform the liabilities over the long term including equity, private markets, hedge funds, commodities, currency, bonds and other forms of credit, property, infrastructure and insurance including the use of derivatives.
- Assets primarily chosen to provide immediate liquidity such as cash or cash-like instruments.

- Hybrid assets that combine liability outperformance, liability hedging or liquidity characteristics including the use of derivatives and leverage.
- Annuity or insurance policies designed to match the specific characteristics of the Scheme's liabilities or membership.

The strategy adopted for assets supporting Subtype 2 members is set out in Appendix 1.

## Investment objectives and strategy (Subtype 3 members)

### Investment objectives

Subtype 3 members are entitled to traditional defined contribution benefits. For assets held in relation to these members, the Trustees have set the following objectives:

- To ensure members are given an appropriate range of investment options and guidance on the suitability of those options.
- To give members investment options that enable them to maximise their returns at acceptable levels of risk.
- To give members investment options that provide them protection against volatility.
- To adhere to the provisions contained within this SIP.

### Investment strategy

The Trustees intend to meet the investment objectives by:

- Providing members with an appropriate range of investment options to enable them to reasonably expect to meet their retirement aspirations, together with guidance on those options. This will include a range of different choices with different return and risk characteristics.
- To provide a default lifestyle option that automatically switches from investments with higher expected returns to investments with lower expected volatility as the members approach retirement.

The actual strategy adopted for the Subtype 3 members of the Scheme is set out in Appendix 2.

### Investment restrictions

The Trustees intend to adhere to the following restrictions:

- No more than 5% of Scheme assets can be held in investments related to the Employer.
- Whilst borrowing on a temporary basis is permitted, this option will only be utilised where absolutely necessary or where it is expected to reduce overall risk (e.g. for very short time periods during an asset transfer).
- Investment in derivative instruments may only be made where they contribute to risk reduction or facilitate efficient portfolio management.
- Stock lending is permitted at the discretion of the Scheme's Investment Managers in line with their overall investment objectives, policies and procedures.

## Investment risk

In managing the Scheme, the Trustees accept it is necessary to be exposed to risks in order to generate the desired level of expected returns. The Trustees have identified a number of risks including (but not limited to):

- Employer covenant risk
- Liability risks: Interest rate risk, Inflation risk, Longevity risk
- Asset risks: Equity risk, Property risk, Currency risk, Credit risk, Interest rate risk, Inflation risk
- Strategy risks: Asset allocation risk, Liquidity risk (including Collateral risk), Growth asset risk (including Currency risk)
- Implementation risks: Investment manager risk, Counterparty risk, Operational risk

These risks are measured and managed by the Trustees as follows:

- The Trustees have set an investment strategy that adheres to the contents of this SIP.
- The Trustees receive strategic investment advice from the Investment Consultant that may include risk modelling and quantification (e.g. Value at Risk) whenever strategic changes are considered.
- The Trustees undertake monitoring of the Scheme's investments supplemented by information provided by both the Investment Managers and Investment Consultant, as well as advice from the latter.
- The Trustees periodically assess the strength of the Employer covenant and uses external expertise where appropriate.
- The Trustees delegate the day-to-day management of some of these risks to the appointed Investment Managers.
- The Trustees consider the Investment Managers' role and their approach to managing risk is considered when selecting appropriate Investment Managers.
- The Trustees utilise custodian relationships to ensure Scheme assets are held securely.
- The Trustees assess whether appropriate controls are put in place by themselves, the Investment Consultant, Investment Managers and Custodians (where there is a direct relationship).

## Realising investments

The Trustees recognise that assets may need to be realised to meet Scheme obligations at any time.

The Trustees will ensure that an appropriate amount of readily realisable assets are held at all times, and this will be part of the assessment for including new investments within the strategy.

The Trustees will from time to time agree a policy for sourcing cash from the investments as required.

## Suitability of investment strategy

The Trustees consider that the investment strategy detailed in the Appendices will ensure that the assets of the Scheme include suitable investments that are appropriately diversified and provide a reasonable expectation of meeting the objectives.

Based on the allocation set out in the Appendices, the Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in the agreements and pooled fund documentation with each Investment Manager.

The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through asset allocation parameter set by the Trustees or governing the pooled funds in which the Scheme is invested. The Trustees will ensure that the Scheme's assets are invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in-line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long-term returns. As covered in more detail below, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

For members' assets, the amounts allocated to any individual asset class will be influenced by the choices made by the members and may vary through the Investment Managers' tactical asset allocation preferences at any time, within the restrictions imposed under individual fund investment parameters.

The Trustees will ensure that the investment options made available to members hold a suitably diversified range of securities, avoiding an undue concentration of assets. In addition, the Trustees will ensure the range of assets is otherwise suitable to meet the investment objectives, as set out in the Appendices.

## Investment Manager Review process

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policies. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustees' meetings as requested.

The criteria by which the Trustees will select (or deselect) the Investment Managers include:

**Parent** - Ownership of the business;

**People** - Leadership/team managing the strategy and client service;

**Product** - Key features of the investment and the role it performs in a portfolio;

**Process** - Philosophy and approach to selecting underlying investments including operational risk management and systems;

**Positioning** - Current and historical asset allocation of the fund;

**Performance** - Past performance and track record;

**Pricing** - The underlying cost structure of the strategy;

**ESG** – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

## Portfolio turnover

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

## Responsible investment

The Trustees have considered the extent to which social, environmental or ethical factors should be taken into account in the selection, retention and realisation of investments.

The Trustees believe their duty is to act in the best financial interests of the beneficiaries. They have delegated to the Investment Managers the responsibility for assessing the impact of these factors, in conjunction with all others that may affect a company's financial or share price performance, when making investment decisions.

For pooled assets, the Trustees recognise that the Investment Manager on behalf of all participants in the pooled fund sets the policy on social, environmental and ethical considerations. The Trustees will take this policy into account when selecting and reassessing the existing contracts and the underlying pooled vehicles in which the assets are invested.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme. For Subtype 2 members the Trustees have neither sought nor taken into account the beneficiaries' views on risks including (but not limited to) ethical, social and environmental issues. However, for Subtype 3 members, the Trustees may consider making other funds available for members to select to take these views into account.

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustees may periodically meet with their investment managers to discuss engagement which has taken place. The Trustees will also expect their investment adviser to engage with the managers from time to time as needed and report back to the Trustees on the stewardship credentials of their managers. The Trustees will then discuss the findings with the investment adviser, in context of their own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustees recognise the Code as an indication of a manager's compliance with best practice stewardship standards.

## Corporate Governance

The Trustees have examined the issues in relation to corporate governance and on the exercise of voting rights. The Trustees recognise that good corporate governance creates the framework within which a company can be managed in the long-term interests of shareholders. In particular, voting at Annual and Extraordinary General Meetings on the election of directors, the issuance of equity and the appointment of auditors are fundamental in protecting shareholder interests. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

Having considered these issues, the Trustees are satisfied that the Investment Managers' policies on corporate governance and exercise of voting rights, reflect the key principles. The Trustees have thus delegated their responsibility in relation to corporate governance (including voting rights) to the Investment Managers, and will monitor the Investment Managers' exercise of such powers.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation, then the Trustees may consider reviewing the relationship with that Investment Manager.

## Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustees of a pension scheme, they must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by them to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The investment consultant hereby confirms to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Act and has provided the necessary written advice to the Trustees.

This SIP is the responsibility of the Trustees. You must not use, copy or repeat any part of the SIP for commercial purposes without obtaining permission to do so in writing to us. We use material from third parties in preparing the SIP and although we try to ensure that all of the information is correct we do not give any express or implied warranty as to the accuracy of the material in the SIP and are not responsible, and do not accept and liability, for any error, omission or inaccuracy. We are not liable for any damages (including, without limitation, damages for loss of business or loss of profits) arising in contract, tort or otherwise from the use of or inability to use this SIP, or any material contained in it, or from any action or from any action or decision taken as a result of using it.

# Appendix 1 – Subtype 2 investment strategy

## Overall strategy

The investment strategy of the Subtype 2 Section of the Scheme is summarised in the table below.

|                   | Asset class     | Strategic allocation | Expected return (above gilts pa) | Manager and fund                                               | Objective                                                                                                                                                                 | AMC (pa) |
|-------------------|-----------------|----------------------|----------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Members' funds    | Corporate Bonds | 26%                  | 1.34%                            | LGIM Investment Grade Corporate Bond – Over 15 Year Index Fund | Track the performance of the Markit iBoxx £ Non-Gilts Over 15 Years Index to within +/-0.5% p.a. for two years out of three.                                              | 0.15%    |
|                   | Multi-Asset     | 40%                  | 3.60%                            | LGIM Diversified Fund                                          | Outperform the BoE Base Rate by 3.75%.                                                                                                                                    | 0.30%    |
| Contingency funds | Multi-Asset     | 10%                  | 3.60%                            | LGIM Diversified Fund                                          | Outperform the BoE Base Rate by 3.75%.                                                                                                                                    | 0.30%    |
|                   | LDI             | 13%                  | -0.10%                           | LGIM Matching Core Fixed Long Fund                             | To reduce risk exposure to changes in interest rates. The leveraged nature of the fund means that it provides more exposure than the pound amount invested.               | 0.24%    |
|                   | LDI             | 11%                  | -0.10%                           | LGIM Matching Core Real Long Fund                              | To reduce risk exposure to changes in interest rates and inflation. The leveraged nature of the fund means that it provides more exposure than the pound amount invested. | 0.24%    |
|                   |                 | 100.0%               | 2.2%                             |                                                                |                                                                                                                                                                           | 0.24%    |

## Liability hedging

As the Scheme's funding level was behind target, the Employer has been paying contributions to the Scheme. These contributions have been combined with assets released from the lifestyling strategy when members retire and their defined benefit underpin bites. These assets together form the contingency fund.

The contingency fund is invested in assets which provide a degree of liability matching. In addition, the allocation to corporate bonds of a proportion of members' funds provides a degree of interest rate matching. Overall, the level of matching is:

- c75% of the interest rate risk.
- c75% of the inflation risk.

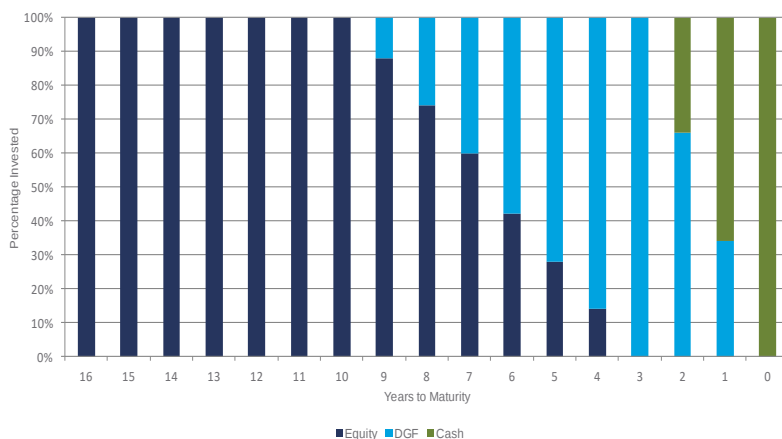
## Rebalancing investments

The Trustees have not set rebalancing ranges for the strategy. Instead, the Trustees will review the strategy on a regular basis, and rebalance if necessary.

# Appendix 2 – Subtype 3 investment strategy

## Default Lifestyle Option – Subtype 3

The Trustees have set the default strategy for Subtype 3 members to be a lifestyling strategy as follows:.



## Self-Select Funds

In addition to the equity, multi-asset and cash funds included within the default strategy above, the Trustees have made a number of self-select funds available to members. These funds, along with the funds used in the default lifestyling strategy, are shown in the table below.

| Asset class | Manager and fund                                                                     | Objective                                                                                                | AMC (pa) |
|-------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|----------|
| Equity      | Legal & General Global Equity Fixed Weights (50:50) Index Fund – GBP Currency Hedged | Capture sterling total returns of the UK and Overseas equity markets.                                    | 0.178%   |
| Multi-Asset | Legal & General Diversified Fund                                                     | Outperform the BoE Base Rate by 3.75%                                                                    | 0.300%   |
| Cash        | Legal and General Sterling Liquidity Fund                                            | Aims to provide diversified exposure and a competitive return in relation to SONIA.                      | 0.125%   |
| Equity      | Legal & General Ethical Global Equity Index Fund                                     | Passive fund which tracks the FTSE4Good Global Equity Index to within +/-0.5% for two years out of free. | 0.300%   |
| Equity      | Legal & General Pre-Retirement Fund                                                  | Aims to hold investments that match annuity pricing such as UK government and corporate bonds.           | 0.150%   |