

FINDEL GROUP PENSION FUND

Statement of Investment Principles

1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by Findel (Pensions) Limited, the Trustee of the Findel Group Pension Fund (the "Fund"). This statement sets down the principles which govern the decisions about investments that enable the Fund 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 (Charges and Governance) Regulations 2015 and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018
 - the Occupational Pension Schemes (Investment) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustee has consulted Studio Retail Group PLC (formerly known as Findel PLC), the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority for a range of investment business activities.
- 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 are set out in the Definitive Trust Deed & Rules, dated 7 June 2017. This statement is consistent with those powers.
- 1.6. The Fund consists of four sections; the "Group section", the "Education section", the "Philip & Tacey section" and the "Galt section". The assets of each of the four sections are separately identifiable and ring-fenced from each other. Appendix 1 relates to the investment strategy for all four Sections.
- 1.7. The Trustee completed a bulk annuity insurance transaction with Phoenix Life Limited (trading as Standard Life) ("the insurer") in the contract dated 11 March 2022 to largely secure benefits under the Fund. The insurer also provides the additional administration required to provide the benefits under the policy and to make payments directly to the annuitants.
- 1.8. The Fund retains some cash and gilt holdings with Insight Investments as shown in Appendix 1.

2. Choosing investments

- 2.1. The Trustee's policy is to set the overall investment target and 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. Effective from 11 March 2022, the Trustee entered into a bulk annuity insurance contract with the Insurer, which is expected to match all defined benefits due to members of the Fund. The Insurer is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

- 2.3. The day-to-day management of the Fund's remaining assets is delegated to one or more investment managers. The Fund's investment managers are detailed in the Appendix of this Statement. The investment manager is authorised and regulated by the Financial Conduct Authority, and is responsible for stock selection.
- 2.4. The Trustee reviews the appropriateness of the Fund'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.

3. Investment objectives

- 3.1. The Trustee has discussed key investment objectives in light of an analysis of the Fund's liability profile as well as the constraints the Trustee faces in achieving these objectives.
- 3.2. The Trustee's main investment objectives are:
 - to ensure that the Fund can meet the members' entitlements under the Trust Deed and Rules as they fall due;
 - to invest in assets of appropriate liquidity to meet potential remaining liabilities that are not covered by the bulk annuity policy; and
 - to reduce the risk of the assets failing to meet the liabilities over the long term.
- 3.3. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the liabilities for each of the Fund's sections at any time. The Trustee has obtained exposure to investments that they expect will meet the Fund's objectives as best as possible.

4. Kinds of investments to be held

- 4.1. The Fund is permitted to invest in a wide range of assets including equities, bonds, cash, property alternatives and annuity policies. The Scheme's current investment strategy involves holding the majority of the Scheme's assets in a bulk annuity insurance contract, with residual assets held in gilts and cash to meet residual liability and ongoing cashflow requirements.
- 4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.
- 4.3. The Trustee does not wish to have any direct employer-related investments. However, the employer-related investments within the pooled funds held will be monitored from time-to-time and steps will be taken to alter them should they discover these holdings to be more than 5% of the portfolio. Typically this check is carried out annually by the Fund's auditors.

5. The balance between different kinds of investments

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

- 5.2. The Fund holds a bulk annuity policy expected to produce cashflows that exactly match the benefit entitlements of each of the Fund's members. The remainder of the Fund's assets are held in the Trustee bank account and as cash and gilt holdings with Insight Investment Management.

6. Risks

- 6.1. The various types of investment risk which may affect the Fund's liabilities are covered under the bulk annuity purchase with the insurer. Therefore, the vast majority of the risks set out below are effectively delegated to the insurer to manage as part of the buy-in policy and are therefore judged to have minimal impact on the Fund's ability to meet the liabilities of the Fund as they fall due. However, the Trustee has considered the following risks for the Fund with regard to its investment policy and the Fund's liabilities:

Risk versus the liabilities	The Trustee notes that by securing the Fund's benefits with an insurer that the risk of benefits not being met is now limited.
Covenant risk	The Fund is less reliant on the strength of the employer's covenant as the Fund's benefits have largely been secured with an insurer.
Insurer counter party risk	The risk of the insurer defaulting has been managed through the selection of a reputable UK insurer and potentially supported by the insurance compensation regime in place should an insurer fail.
Liquidity risk	The Fund invests in assets, including cash, such that there is a sufficient allocation to liquid investments to meet the Fund's cashflow requirements. The Fund's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Investment manager risk	The Trustee monitors the performance of the residual assets (i.e. those held in cash outside the bulk annuity policy) as necessary. The Trustee has a written agreement with the investment manager, which contains a number of restrictions on how they may operate.
Concentration risk	Each investment manager/annuity provider is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Fund's liabilities are denominated in sterling. The Fund may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
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 where possible.

ESG/Climate risk

The Trustee has considered long-term financial risks to the Fund and ESG factors (as well as climate risk). While the Trustee considers these factors to be potentially financially material, management of these risks over the lifetime of the contract is primarily an issue for the Insurer to manage.

Loss of investment

In the event of the Insurer becoming insolvent, the Fund could suffer losses on the contract, but would still retain the liability to pay members' benefits. This risk is mitigated by the regulatory regime and capital requirements in place for UK insurers. The risk of loss of investment by the investment manager 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 have chosen to invest the vast majority of assets in a bulk annuity policy to match the Fund's projected benefit payments with income from the policy. The remaining assets are held bearing in mind the nature of the potential additional liabilities that may fall due on the Fund and not covered by the policy.

8. Realisation of investments

- 8.1. The annuity policy with the Insurer is not readily realisable and the Trustee does not expect to need to surrender or realise the contract given its nature and purpose. The income from the bulk annuity policy will be used to pay benefits covered by the policy.
- 8.2. The remaining assets of the Fund are held in assets that can be realised at short notice.

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

Financially Material Considerations

- 9.1. The Trustee received training from its investment consultant on ESG factors. The Trustee considered the research findings presented at this training to form its view on the financial materiality of ESG factors as they apply to the Fund's current investments.
- 9.2. The Trustee has elected to invest the Fund's assets through pooled funds. The choice of underlying funds is made by the Trustee after taking advice from their investment consultant. The managers of the underlying funds take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.
- 9.3. The Trustee believes that environmental, social and governance factors (including climate change) have the potential to be financially material over the long-term. However, as the Trustee has completed a purchase of a bulk annuity policy for the majority of the Fund's liabilities. The Trustee is largely reliant on

the insurer to manage these risks. The remaining assets are held bearing in mind the nature of the potential additional liabilities that may fall due on the Fund and not covered by the policy.

Approach to monitoring ESG policy

- 9.4. The Fund's assets are held as a bulk annuity policy and cash. Given the nature of the current holdings in the Fund, the Trustees will review and monitor the ESG policy as they deem appropriate, considering the risks that present themselves.

Non-financially material considerations

- 9.5. The Trustee does not take into account individual members' and beneficiaries' views, including in relation to ethical matters, social and environmental impact and present and future quality of life (referred to in the Regulations as "non-financial factors"), in the selection, retention and realisation of investments.
- 9.6. The Trustee will review its policy on whether or not to take account of non-financial matters periodically.

The exercise of voting rights and engagement activities

- 9.7. The Trustee's note that by Securing the Fund's benefits with an insurer they have limited ability to influence the voting and engagement activities undertaken on behalf of the annuity policy. The Fund retains cash holdings but the Trustee notes that the ability to engage and the effect of engaging with investment managers and counterparties is limited for cash holdings.

Conflicts of interest

- 9.8. The Fund's investment managers are granted full discretion over whether or not to hold the equity, debt or other investment in the Sponsoring Employer's business. Through their consultation with the Sponsoring Employer when setting this Statement of Investment Principles the Trustee has made the Sponsoring Employer aware of their policy on ESG and climate related risks, how it intends to manage them, and the importance that the pensions industry as a whole, and its regulators, places on them.
- 9.9. The Fund's investment consultants are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.
- 9.10. The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment policies

- 10.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's benchmark, as well as their approach to the management of ESG and climate related risks with the Fund's investment

consultant. The Trustee will also discuss how the investment manager's policies are aligned with the Trustee's own investment beliefs taking into account the nature of the investment manager's mandate.

- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee will also consider how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with its own investment objectives for the part of the portfolio being considered, the Trustee may consider whether it would be more appropriate to use another manager for the mandate.
- 10.3. The Trustee's approach is therefore to determine its investment policies, which are set out in this document, and to appoint investment managers that it believes fit with these policies. The Trustee does not provide any direct incentives for the investment managers to align their practices with these policies. Instead, the managers have been selected on the basis that their approaches are aligned with the policies. The Trustee considers this to be a suitable approach in practice given it typically invests in pooled funds with other investors. Sections 10.7 to 10.9 of this document explain how the fee arrangements in place act as an indirect incentive for the investment managers to continue to perform in line with the criteria against which they were assessed at selection over the medium to long term.
- 10.4. The Trustee carries out an investment strategy review at least every 3 years where they assess the continuing relevance of the investment strategy in the context of the Fund and the Trustee's aims, beliefs and constraints. The Trustee ordinarily monitors the investment managers' approach to ESG and climate related risks on an annual basis¹.
- 10.5. In the event that an appointed investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, the Trustee will consider whether it would be more appropriate to use another manager for the mandate. The investment managers have been informed of this by the Trustee.
- 10.6. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Arrangements for incentivising the investment managers of the assets underlying the bulk annuity policy are an issue for the Insurer.

Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.7. The Trustee is mindful that the impact of ESG and climate change may have a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself.
- 10.8. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over an agreed predetermined rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund has a shorter-term target, this is generally supplementary to a longer-term performance target. In the case of assets that are actively managed, the Trustee expects this to be sufficient

to ensure an appropriate alignment of interests. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short-term targets.

The Trustee expects the investment manager to be voting and engaging on behalf of the Fund's holdings and the Trustee monitors this activity within the Implementation Statement in the Fund's Annual Report and Accounts, where applicable. The Trustee recognises that they have limited scope to influence the ongoing stewardship activities of the insurer and investment manager appointed by the insurer.

Method and time horizon for assessing performance

- 10.9. The Trustee's do not undertake any formal monitoring of the investment managers due to the limited benefit of this activity given the bulk annuity policy held with the insurer for the majority of liabilities of all Sections.
- 10.10. The Fund invests exclusively in pooled funds and annuity policies. The investment managers are remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the fund grows, due to successful investment by the investment manager, they receive more and as the value falls they receive less.
- 10.11. The Trustee asks the Fund's Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges may be considered every three years as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

- 10.12. The Trustee acknowledges that portfolio turnover costs can impact on the performance of the Fund's investments. However, given the annuity policy and cash holdings of the Fund, the Trustee notes that the impact of portfolio turnover costs and the duration of arrangement with the investment manager are expected to have zero impact.

For the open-ended pooled fund in which the Fund invests, there are no predetermined terms of agreement with the investment manager.

The suitability of the Fund's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

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 members, the employer, the investment managers, the actuary and the auditor upon request.

Appendix 1 - Note on investment policy of the Fund

The balance between different kind of investment

The Trustee has secured an insurance contract in respect of the Fund’s liabilities with Phoenix Life Limited. The insurer is supervised by the Prudential Regulatory Authority (“PRA”) in co-ordination with the Financial Conduct Authority (“FCA”) within the current regulatory context.

There is no strategic asset allocation for the Fund’s remaining assets, given the relative size of the holdings and the short timeframe expected until these are used to meet any cashflow requirements or secure additional benefits.

Kinds of investments to be held

The Trustee has considered all asset classes and has gained exposure to the following asset classes:

- Annuity policy
- Government bonds, and
- Liquidity funds.

The balance between different kinds of investment

The Fund has a strategic asset allocation as set out in the table below.

Asset class	Strategic Allocation
Phoenix Life Limited bulk annuity policy	100%

Whilst the strategic target is to invest wholly in the bulk annuity policy, in practice some assets will need to be held outside the policy until such time as the Fund is able to wind-up. The Trustee has appointed Insight Investment Management (“Insight”) to carry out the day-to-day management of these remaining investments of the Fund. Insight is authorised and regulated by the Financial Conduct Authority.

The assets held with Insight will comprise liquidity funds to cover expected future cashflow requirements and government bonds in respect of additional benefits which may be secured in future.

The allocations of the remaining assets for each section are detailed below:

Section	Holdings	Allocation
Group	Insight Fully Funded Index- Linked Gilts	20%
	Insight Fully Funded Gilts	60%
	Insight Sterling Liquidity Fund	20%
Education	Insight Fully Funded Index- Linked Gilts	10%
	Insight Fully Funded Gilts	30%
	Insight Sterling Liquidity Fund	60%
Galt	Insight Sterling Liquidity Fund	100%
P&T	Insight Sterling Liquidity Fund	100%

Fee agreements

There are no ongoing fees in respect of the Phoenix Life Limited bulk annuity policy. In respect of assets held with Insight, the Fund pays an annual management charge based on the value of the assets under management.

Barnett Waddingham are remunerated on a fixed fee and time cost basis depending on the work carried out.

Realisation of investments

Benefit payments are met by the insurer. The Trustee expects any fees to be met using the existing cash reserves.

Appendix 2 - Benchmarks and objectives

The benchmarks and objectives for each of the fund managers are summarised below:

Fund manager	Benchmark	Objective
Insight		
ILF GBP Liquidity Fund	SONIA	To provide investors with stability of capital and daily liquidity.
Insight Fully Funded Gilts	N/A	Track movement in reference gilts
Insight Fully Funded Index-Linked Gilts	N/A	Track movement in reference index-linked gilts