

The GWB 1972 Pension Scheme

Statement of Investment Principles

Barnett Waddingham LLP

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Contents

Introduction.....	3
2. Choosing investments.....	3
3. Investment objectives	4
4. Kinds of investments to be held	4
5. The balance between different kinds of investments.....	4
6. Risks.....	4
7. Expected return on investments	5
8. Realisation of investments	6
9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities	6
10. Policy on arrangements with asset managers	6
11. Agreement.....	8
Appendix 1: Note on investment policy of the Scheme in relation to the current Statement of Investment Principles	9
Appendix 2: Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities	12

Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the GWB 1972 Pension Scheme ("the Scheme"). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. The Principal Employer of the Scheme, *Clarity – Employer for Blind People*, has become insolvent and the Scheme has entered an assessment period for the Pension Protection Fund (the "PPF"). Therefore, in preparing this statement the Trustees have obtained advice from Barnett Waddingham LLP the Trustees' investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority in respect of 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 Trustees 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 Trustees are set out in Clause 16 of the Definitive Trust Deed & Rules, dated 14 February 2003. This statement is consistent with those powers.

2. Choosing investments

- 2.1. The Trustees' policy is to set the overall investment target and, in doing so, the Trustees have taken into account the fact that the PPF may assume responsibility for the Scheme or that the Trustees may aim to secure benefits with an insurance company. The Trustees will then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the PPF before amending the investment strategy.

3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:
- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due and overriding PPF requirements during the PPF assessment period;
 - to manage the expected volatility of the funding level;
 - to invest in assets of appropriate liquidity; and
 - to manage the running costs of the Scheme as appropriate.
- 3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and will soon be implemented and the level of funding of the Scheme's liabilities. The Trustees are moving to obtain exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

- 4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.
- 4.2. The Trustees consider any guidance set out by the PPF when choosing the Scheme's investments during the PPF assessment period, as well as the possibility of securing benefits with an insurer.

5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.
- 5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.
- 5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

- 6.1. The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. During the PPF assessment period, the investment strategy will be set with consideration of an appropriate level of risk, having consulted with the PPF.
Asset allocation risk	The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and ESG factors as well as climate risk and believe they are potentially financially material and will continue to develop the policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging may be employed within the pooled funds used by the Scheme to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. 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 Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position.

8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

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

- 9.1. The Trustees have set policies in relation to these matters. These policies are set out in the Appendix.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment policies

- 10.1. Prior to appointing an investment manager, the Trustees consider the investment manager's approach to the management of ESG and climate related risks with the assistance of the Scheme's investment consultant.
- 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 Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be reviewed. The investment managers have been informed of this.

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

- 10.4. The Trustees are mindful that the impact of ESG and climate change has a long-term nature, which may exceed that of the PPF assessment period. However, the Trustees recognise 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. The Trustees acknowledge this in their investment management arrangements.

- 10.5. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe 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. It is acknowledged that such timeframes may be longer than the Scheme's likely lifetime, but consideration can be given to the manager's performance prior to the start of the assessment period or prior to the Scheme's investment. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target.
- 10.6. The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and, where relevant, the Scheme monitors this activity within the Implementation Statement in the Scheme's Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

- 10.7. The Trustees monitor the performance of their investment managers over medium to long term periods as these are likely to be more meaningful in determining the appropriateness of performance as opposed to considering short time-periods.
- 10.8. The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees.
- 10.9. The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.10. The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected.

Portfolio turnover costs

- 10.11. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed from time to time.
- 10.12. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

- 10.13. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 10.14. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs was reviewed in early 2020 in light of the deteriorating financial position of the Sponsor (Clarity –

Employer for Blind People). This review was conducted assuming that the Scheme would enter an assessment period, which it subsequently did. Following the review the investments of the Scheme are expected to change significantly before the Scheme transfers to the PPF. As part of these changes the Trustees plan to replace the current manager for the remaining lifetime of the Scheme. More information on the planned investment strategy is detailed in Appendix 1 to this statement.

11. Agreement

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

Signed:.....

Date:.....

On behalf of the GWB 1972 Pension Scheme

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

1. The balance between different kinds of investment

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs was reviewed in early 2020 in light of the deteriorating financial position of the Sponsor (Clarity – Employer for Blind People). This review was conducted assuming that the Scheme would enter an assessment period, which it subsequently did. Through the review the Trustees have identified a new investment strategy to implement over the assessment period. The new investment strategy required the appointment of a new asset manager. At the time of producing this statement the Trustees were in the process of implementing this revised strategy. The strategy previously agreed and the new strategy are set out below.

The Scheme's previous investment strategy, set having taken written advice from the Scheme's investment advisors at the time is set out in the table below.

Fund	Asset Class	Target Allocation (%)
Adept 9 Managed Growth Strategy	Diversified growth	29.8%
Adept 20 Fruition Fixed	Diversified growth and Liability Driven Investment ("LDI")	29.3%
Adept 21 Fruition Real	Diversified growth and ("LDI")	27.7%
Adept 22 Fruition Fixed	Diversified growth and ("LDI")	6.8%
Adept 23 Fruition Real	Diversified growth and ("LDI")	6.4%
Total	Diversified growth and ("LDI")	100.0%

The weighting between the Adept funds is notional, as the value of the Liability Driven Investment portfolio was designed to approximately match the movement in the value of the Scheme's liabilities. Any rebalancing back to the target allocation will change the interest rate and inflation sensitivity of the Scheme and is therefore not undertaken under this strategy.

Through the review carried out early in 2020 the Trustees have agreed the strategic asset allocation as set out in the table below. This has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes.

Fund	Asset Class	Strategic Allocation (%)
Over 15 Year Index-Linked Gilts Index Fund	Index-linked gilts	25.0%
Over 5 Year Index-Linked Gilts Index Fund	Index-linked gilts	10.0%
Over 15 Year Gilts Index Fund	Gilts	35.0%
All Stocks Gilts Index Fund	Gilts	30.0%
Total		100%

Rebalancing

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees also recognise that the holdings in the agreed investment strategy are intended to provide a match to the interest rate and inflation sensitivities of the Scheme's liabilities and that any rebalancing may impact that match. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark, limiting the impact on the matching characteristics of the portfolio and limiting the costs of rebalances.

2. Choosing investments

The Trustees appointed the following investment manager to carry out the day-to-day investment of the Scheme under the previous investment strategy:

- Hewitt Risk Management Services Limited ("HRMSL").

The investment benchmarks and objectives for HRMSL are given below:

Fund	Fund Objective
Adept 9 Managed Growth Strategy	Achieve returns of 3month sterling LIBOR (the benchmark) + 4.0%p.a
Adept 20 Fruition Fund	Fixed hedging + 2% p.a. return above benchmark*
Adept 21 Fruition Fund	Real hedging + 2% p.a. return above benchmark*
Adept 22 Fruition Fund	Fixed hedging + 1% p.a. return above benchmark*
Adept 23 Fruition Fund	Real hedging + 1% p.a. return above benchmark*

**The benchmark for these funds are based on the weighted average return on the hedging instruments held in the funds and GBP 3 month Sterling LIBOR on all other assets*

The Trustees are in the process of appointing the following investment manager to replace HRMSL and carry out the day-to-day investments of the Scheme going forward:

- Legal and General Investment Management

The investment benchmarks and objectives for LGIM are given below

Fund	Benchmark	Objective
Over 15 Year Index-Linked Gilts Index Fund	FTSE Actuaries UK I-L Gilts Over 15 Years Index	Track to within +/-0.25% p.a. for two years out of three
Over 5 Year Index-Linked Gilts Index Fund	FTSE Actuaries UK I-L Gilts Over 5 Years Index	Track to within +/-0.25% p.a. for two years out of three
Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	Track to within +/-0.25% p.a. for two years out of three
All Stocks Gilts Index Fund	FTSE Actuaries UK Conventional Gilts All Stocks Index	Track to within +/-0.25% p.a. for two years out of three

The Trustee also have an annuity contract with Canada Life in respect of a few lives.

3. Investments and disinvestments

Investments and disinvestments under the previous strategy are usually made so as to minimise the impact on the hedging properties of the portfolio under both the previous and revised investment strategies.

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

1. Financially Material Considerations

The Trustees consider that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) may be financially material for the Scheme over its remaining lifetime.

The Trustees have elected to invest the Scheme's assets through pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant and having considered any guidance from the PPF. The Trustees, and 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.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: The Trustees will monitor ESG considerations on an ongoing basis by seeking information on the responsible investing policies and practices of the investment managers as and when necessary.

Realisation of investments: The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain training on ESG considerations from time to time in order to understand how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Through their investment consultant the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

2. Non-financial matters

The Trustees do not take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and

beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

3. The exercise of voting rights

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

4. Engagement activities

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees, investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.