Titmuss Sainer Dechert Staff Benefit Scheme (the “Scheme”)
(Final Salary)

Statement of Investment Principles (the “Statement”)

1. Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 21 September 2020. The Trustee Directors will review this Statement and the Scheme’s investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

2. Consultations Made

As required by the Act, the Trustee Directors have consulted with the Employer, Dechert LLP, prior to writing this Statement, have considered their recommendations, and will take the Employer’s comments into account when they believe it is appropriate to do so.

The Trustee Directors are responsible for the investment strategy of the Titmuss Sainer Dechert Staff Benefit Scheme. They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by the Scheme’s Investment Adviser, Aon Solutions UK Limited, who are authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the Scheme's assets has been delegated to investment managers who are appropriately authorised and regulated as required under the Financial Services and Markets Act 2000 (amended by the Financial Services Act 2012). Their regulatory status can be verified on the Financial Services Register at www.fca.org.uk/register/. A copy of this Statement has been provided to the investment managers appointed and is available to the members of the Scheme.

3. Objectives and Policy for Securing Objectives

The Trustee Directors' primary objectives are:

- “funding objective” – to ensure that the Scheme has sufficient assets available to pay members’ benefits as and when they arise using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a funding deficit, a recovery plan will be put in place which will take into account the financial covenant of the employer;
- “security objective” – to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve. The Trustee Directors will take into account the strength of the Employer’s covenant when determining the expected improvement in the solvency position of the Scheme; and
- “stability objective” – to have due regard to the employer’s ability in meeting its contribution payments given their size and incidence, and to have due regard to the volatility of measures of funding and security.

The investment strategy chosen by the Trustee Directors aims to maximise the likelihood of achieving these objectives. The Trustee Directors recognise that these objectives may conflict. For example, a greater allocation to more defensive assets may give greater security, but may result in a level of contributions which the employer may find too difficult to support. The Trustee Directors also recognise that in resolving this conflict, it is necessary to accept some risk.

4. Investment Risk Measurement and Management

Strategic Risk
The key investment risks are recognised as arising from asset allocation. These are assessed triennially in conjunction with the actuarial valuation of the Scheme, following which the Trustee Directors take advice on the continued appropriateness of the existing investment strategy.

Covenant Risk
Risks associated with changes in the employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustee Directors also have an agreement with the employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers, in particular the Trustee Directors will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related Notifiable Events. On receipt of such notification, the Trustee Directors will re-consider the continued appropriateness of the Scheme's existing investment strategy.

Manager Risk
The Trustee Directors monitor the risks arising through the appointed fund managers on a regular basis via investment monitoring reports prepared by their professional advisors. Expected deviation from the benchmark (for a passive manager) or out-performance target (for an active manager) is detailed in the appendix of this statement. The Trustee Directors have appointed Aon Solutions UK Limited to alert them to any matters of material significance that might affect the ability of each fund manager to achieve its objectives.

The Trustee Directors acknowledge that investment returns achieved in excess of the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated.

Liquidity risk (also known as cashflow risk) arises from the need to realise assets in the short term. If realisations of investments in order to meet the benefit outgo were to be made at a time when prices are depressed this could reduce the likelihood of meeting the primary objectives. To avoid this, the Trustee Directors and their advisers manage the Scheme's cash flow requirements carefully over the short-term.

5. The Balance Between Different Kinds of Investments

The Trustee Directors retain responsibility for setting asset allocation and take expert advice as required from their professional advisers.

The Trustee Directors review their investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee Directors take written advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

The asset allocation set out in Appendix I was implemented in December 2019, after considering the written advice from the Scheme's advisers on the Scheme's LDI portfolio in October 2019. Following receipt of the annual deficit recovery contribution in January 2020, further allocations were made to the LDI portfolio.

The Trustee Directors have not considered a direct allocation to alternative asset classes as they recognise that for a scheme of this size, suitable vehicles are difficult to access. However the Newton and Schroders funds provide exposure to a range of alternative asset classes.

6. Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustee Directors' objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustee Directors exercise their powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes. Day-to-day selection of stocks is delegated to investment managers, appointed by the Trustee Directors. As regards the review and selection of their investment managers, the Trustee Directors take expert advice. The last formal review was in 2018, however a review of the equity and LDI portfolios and the funds held within each of the portfolios was conducted in May and October 2019 respectively.

Assets are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investments in derivatives are only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

7. Custody

Investment in pooled funds gives the Trustee Directors a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodians are independent of the Employer.

8. Expected Returns on Assets

Over the long-term the Trustee Directors' expectations are:

- for the real assets (UK and overseas equities, and assets managed by Newton and Schroders), to achieve a return which at least keeps pace with the increase in national average earnings over the same period. The Trustee Directors are willing to incur short-term volatility in equity price behaviour with the expectation that over the long term equities will outperform the other major asset classes;
- for the LDI assets to achieve a rate of return in line with the reference gilts, which reflect a proportion of the liabilities and allowing for leverage.

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustee Directors in consultation with their professional advisers and fund managers.

9. Realisation of Investments/Liquidity

The Trustee Directors recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

10. Arrangements with Investment Managers

The Trustee Directors regularly monitor the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee Directors' policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee Directors are supported in this monitoring activity by their investment consultant.

The Trustee Directors receive regular reports and verbal updates from the investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee Directors' focus is on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and they assess the investment managers over 3-year periods.

The Trustee Directors also receive annual stewardship reports on the monitoring and engagement activities carried out by their investment managers, which supports the Trustee Directors in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee Directors share the policies, as set out in this SIP, with the Scheme's investment managers, and request that the investment managers review and confirm whether their approach is in alignment with the Trustee Directors' policies.

Before appointment of a new investment manager, the Trustee Directors review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee Directors' policies. Where necessary the Trustee Directors will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee Directors will express their expectations to the investment managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee Directors believe that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee Directors' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustee Directors' policies, expectations, or the other considerations set out above, the Trustee Directors will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed periodically, and at least every three years.

11. Costs and Performance

Cost Monitoring

The Trustee Directors are aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee Directors recognise that in addition to annual management charges, there are a number of other costs incurred by the Scheme's investment managers that can increase the overall cost incurred by their investments.

The Trustee Directors collect annual cost transparency reports covering all of their investments and ask that the investment managers provide this data in line with the appropriate reporting templates for each asset class. This allows the Trustee Directors to understand exactly what the Scheme is paying the investment managers. The Trustee Directors work with their investment consultant and investment managers to understand these costs in more detail where required.

The Trustee Directors are aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated to the Scheme's underlying investments through the information provided by their investment managers. The target portfolio turnover and turnover range is monitored annually with the assistance of the Scheme's investment consultant.

The Trustee Directors accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics, manager's style and historic trends.

Evaluation of Investment Managers Performance and Remuneration

The Trustee Directors assess the performance of their investment managers on a quarterly basis and the remuneration of their investment managers on at least an annual basis via collecting cost data in line with appropriate reporting templates.

12. Environmental, Social and Goverance Considerations

In setting the Scheme's investment strategy, the Trustee Directors' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustee Directors believe that in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, it must act as a responsible steward of the assets in which the Scheme invests.

The Trustee Directors further acknowledge that an understanding of financially material considerations including environmental, social and corporate governance ("ESG") factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustee Directors expect the Scheme's investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability, damage to the ecology, climate change) in the selection, retention and realisation of investments. Any decision(s) should not be based solely on personal ethical or moral judgments, but should consider the sustainability of business models that are influenced by them.

The Trustee Directors are taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustee Directors will have periodic training on Responsible Investment to understand how ESG factors could impact the Scheme's assets and liabilities, as part of its commitment to regularly review performance, long term strategy and keeping up to date on investment matters;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustee Directors will rely on ESG ratings information provided by Aon, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG;
- The Trustee Directors will request all of the Scheme's investment managers to provide their Responsible Investment policy and details of how they integrate ESG into their investment decision making process. Should the Scheme look to appoint a new manager, the Trustee Directors will request this information as part of the selection process. All responses will be reviewed and monitored with input from their investment consultant.

Stewardship - Voting and Engagement

The Trustee Directors recognise the importance of their stewardship role and the need to ensure the highest standards of governance and corporate responsibility in the underlying companies in which it invests, directly and via pooled funds.

The Trustee Directors expect the Scheme's investment managers to use their influence as major institutional investors to carry out the above responsibilities.

The Trustee Directors, in conjunction with their investment consultant, review the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. The review will cover the alignment of the Trustee Directors' policies to those of the Scheme's investment managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustee Directors' rights and duties as a responsible shareholder and asset owner.

From time to time, the Trustee Directors will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee Directors may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In view of the inevitable diverse range of opinion the Trustee does not specifically take into account the views of individual Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, but at all times endeavours to act in the overall best interests of the membership, having regard to all above considerations.

The Trustee will review its policy towards ESG as part of its periodic (at least triennial) review of Investment Strategy.

13. Effective Decision Making

The Trustee Directors recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

The Trustee Directors believe that given the scale of the Scheme and the small number of Trustee Directors that a separate investment sub-committee would not be appropriate. Therefore all investment decisions are discussed by the whole Trustee body with assistance from the Scheme's investment advisers before decisions are taken.

14. Additional Voluntary Contributions ("AVCs") Arrangements

Some members obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. Details of AVC providers and fund options are included in the Appendix to this Statement.

From time to time the Trustee Directors review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

The Titmuss Sainer Dechert Staff Benefit Scheme (the "Scheme")
Appendix I to the Statement of Investment Principles

This Appendix sets out the Trustee Directors' current investment strategy, and is supplementary to the Trustee Directors' Statement of Investment Principles (the "attached Statement").

The Trustee Directors' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below:-

1. Asset Allocation Strategy

Investment Manager/Asset Class	Weight (%)	Range (%)
Newton Real Return Fund	18.0	+/- 5.0%
Schroders Diversified Growth Fund	18.0	+/- 5.0%
Legal & General Investment Management Equities	44.0	+/- 10.0%
Legal & General LDI funds	20.0	+/- 15.0%
Total	**100.0**	

The Trustee Directors have taken the decision to implement a revised equity portfolio. The implementation is to be conducted over an eighteen month period, following the below schedule:

	Dealing Dates & Asset Allocation			
Fund	Completed - 1 July 2019 (%)	Completed - 1st October 2019 (%)	Completed - 1st April 2020 (%)	1st October 2020 (%)
UK Equities	37.5	25.0	12.5	0.0
World Developed Equities	25.0	30.0	35.5	40.0
World Developed Equity – GBP Hedged	25.0	30.0	35.0	40.0
Emerging Market Equities	12.5	15.0	17.5	20.0

On a practical level and upon the completion of the implementation of the revised equity portfolio, the allocation to Legal & General Investment Management (Legal and General) equities in the table above can be translated into the following weightings, to which Legal and General will manage their portfolio:

Asset Class	Weight (%)	Range (%)
World Developed Equities	40.0	+/-5.0%
World Developed Equity – GBP Hedged	40.0	+/-5.0%
Emerging Market Equities	20.0	+/-5.0%
Total	**100.0**	

Please note that no automatic rebalancing of the equity fund allocations is in place. When the allocations reach the upper or lower range stipulate above, consideration will be given to rebalancing the allocations.

The Trustee Directors took the decision to implement a revised LDI portfolio to account for the updated liability data from the Scheme's 1 January 2019 Actuarial Valuation.

The initial LDI portfolio allocations are detailed in the table below. Following receipt of the annual deficit recovery contribution in January 2020, additional allocations were made to the LDI portfolio.

Fund	Weight (%)
Gilts Leveraged Fund 2038	3.5%
Gilts Leveraged Fund 2042	6.3%
Gilts Leveraged Fund 2045	5.3%
Gilts Leveraged Fund 2049	13.2%
Gilts leveraged Fund 2055	20.7%
Gilts leveraged Fund 2060	14.2%
Gilts leveraged Fund 2068	36.8%

Please note that the LDI allocation will drift with market conditions and the Trustee Directors may invest in other LGIM LDI funds.

2. Investment Management Arrangements

The following describes the mandates given to the Investment Managers within each asset class.

Investment Manager/Asset Class	Benchmark	Gross Performance Objective over rolling 3 years (%p.a.)
Newton Real Return Fund	1 month LIBOR	Benchmark + 4% pa over rolling 3 - 5 year periods
Schroders Diversified Growth Fund	UK CPI Inflation	UK CPI Inflation + 5% p.a. over a market cycle
Legal & General Equities		
UK Equities	FTSE All Share Index	Track index
World Developed Equities	FTSE Developed World Index	Track index
World Developed Equity – GBP Hedged	FTSE Developed World Index – GBP Hedged	Track index
Emerging Markets Equities	FTSE AW All Emerging Markets	Track index
Legal & General LDI funds		
Gilts Leveraged Fund 2038	Provide leveraged exposure to the underlying gilt	N/A
Gilts Leveraged Fund 2042		N/A
Gilts Leveraged Fund 2045		N/A
Gilts Leveraged Fund 2049		N/A
Gilts leveraged Fund 2055		N/A
Gilts leveraged Fund 2060		N/A
Gilts leveraged Fund 2068		N/A

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustee Directors' intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrator.

This cash balance can be held in the LGIM Cash Fund whose target is to perform in line with 7 day GBP LIBID, without incurring excessive risk.

2.1 Re-balancing arrangements

Contributions and disinvestments will be used to rebalance the portfolio as necessary.

2.2 Future de-risking

The intention is to reduce the size of the interest rate risk as the Scheme's funding level improves and as it can afford to. The funding level will be examined on an ad hoc basis.

3. Fee structure for advisers and managers

3.1 Investment Adviser

The Trustee Directors' Investment Adviser is paid for advice received on the basis of the time spent by the Investment Adviser. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modelling), the Trustee Directors will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

3.2 Investment Managers

The Investment Managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice.

Investment management fee arrangements are detailed below.

Investment Manager/Asset Class	AMC p.a.
Newton Real Return Fund	0.75%
Schroders Diversified Growth Fund	0.65%
Legal & General Equities	
UK Equities	0.10% on first £10m, 0.075% on next £10m
World Developed Equities	0.18% on first £5m, 0.155% on next £10m, 0.13% on next £35m, 0.105% on the remainder
World Developed Equity – GBP Hedged	0.203% on first £5m, 0.178% on next £10m, 0.153% on next £35m, 0.128% on the remainder
Emerging Market Equities	0.45% on first £5m
Legal & General LDI Funds	0.24% on first £25m, 0.17% on the remainder

Legal & General's LDI funds' legal, custody, administration, establishment, directors' and auditors' fees are payable, these are capped at 0.05% p.a. and payable on the net asset value of any given Matching Fund.

The LGIM Cash Fund fee schedule is: 0.125% p.a. on first £5m, 0.10% p.a. on next £5m, 0.075% p.a. on next £20m, 0.05% p.a. on the remainder.

4. Additional Voluntary Contributions (AVCs)

AVCs are insured with Aviva.