Westfield Retirement Security Plan

Statement of Investment Principles

July 2022

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01 **Introduction**

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Westfield Retirement Security Plan ('the Plan'). It describes the investment policy being pursued by the Trustee of the Plan and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is Adam Stanley of XPS Pensions Group and the Investment Adviser is XPS Investment (collectively termed 'the Advisers').

The Trustee confirms that, before preparing this SIP, it has consulted with the employer, Westfield Contributory Health Scheme Limited ('the Employer') and the Advisers and has obtained and considered written advice. The Trustee believes the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Plan requires.

The Trustee is responsible for the investment of the Plan's assets and the administration of the Plan. Where it is required to make an investment decision, the Trustee will always receive advice from the Advisers first and it believes that this ensures that it is appropriately familiar with the issues concerned.

The Trustee has decided that, for reasons of governance simplicity and cost efficiency, the Plan assets should be invested through an investment platform, where possible, rather than directly accessing funds provided by individual investment managers. The Plan holds a single life policy with the Platform Provider where the value is linked to the value of the specific pooled funds selected by the Trustee from time to time. Decisions about which funds to invest in are made after obtaining investment advice from the Investment Advisers who are authorised and regulated by the FCA.

01.01 Declaration

The Trustee confirms that this Statement of Investment Principles reflects the Investment Strategy it has decided to implement. The Trustee acknowledges that it is its responsibility, with guidance from the Advisers, to ensure the assets of the Plan are invested in accordance with these Principles.

02 **Plan governance**

The Trustee is responsible for the governance and investment of the Plan's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Plan as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or the relevant Advisers as appropriate. The responsibilities of each of the parties involved in the Plan's governance are detailed in Appendix A.

The Trustee has decided that it is not currently appropriate to appoint an Investment Sub-Committee to deal with investment matters and will keep this under review.

03 **Investment Objectives**

The following investment objectives have been agreed with the Trustee following the Investment Strategy Review conducted during 2020.

i. The Plan's assets should be held in a wide range of different asset classes to minimise the risk of failing to meet the liabilities in the long term.
ii. Assets must be sufficiently liquid to avoid the risk of being unable to disinvest funds at a predictable price as and when required to meet immediate benefit outgo.
iii. Assets must be able to generate a return which will meet the long term costs of the Plan. This means that assets should not be overly defensive and the long term return expectations used within the actuarial valuation should be consistent with the level of risk taken and return expectations of the strategy. Under the Pensions Regulator's focus on integrated risk management trustees are effectively being asked to consider their investment and funding strategies in parallel.
iv. The majority of the risks arising from adverse movements in interest rates and inflation rates should be hedged.

The Trustee understands the need for the investment objectives and the resultant investment strategy to be consistent with the valuation methodology and actuarial assumptions used in the completion of each formal scheme funding valuation.

04 Asset Allocation Strategy

The Trustee has taken the view that the investment objectives are best achieved by determining, and investing in accordance with, an appropriate split between "on-risk" assets (e.g. equities, property, high-yield corporate bonds and 'rotational' funds) and "off-risk" assets (e.g. fixed and index-linked gilts, high quality corporate bonds and liability driven investment ('LDI') funds).

The allocation between the asset classes making up the on-risk and off-risk assets will vary over time to reflect, amongst other factors, the profile of the liabilities, the perceived relative value of the different asset classes and the perceived risk to investment objective i) (Section 3) arising from any shortfall in the funding of the Plan. The current benchmark and target allocation is set out in Appendix B and any changes in such allocations will only be made after receiving written advice from the Investment Advisers that such allocation remains consistent with the investment objectives.

04.01 Alignment of Incentives

The Scheme invests in pooled funds and so the Trustee acknowledges that the investment managers' investment strategies and decisions cannot be tailored to the Trustee's policies. However, the Trustee sets its investment strategy and then selects managers that best suits its strategy. 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 Trustee uses the fund objective/benchmark as a guide on whether its investment strategy is being followed and monitors this regularly.

The Trustee selects investment managers based on a variety of factors including investment philosophy and process, which it believes should include assessing the long term financial and non-financial performance of the underlying companies in which they invest.

The Trustee also considers the managers' voting and ESG policies and how they engage with the underlying companies as it believes that these can factors can improve the medium to long-term performance of the investee companies.

The Trustee will monitor the fund managers' engagement and voting activity on an annual basis as it believes this can improve long term performance. The Trustee expects investment managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustee acknowledges that in the short term, these policies may not improve the returns it achieves, but does expect those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme.

The Trustee believes the annual fee paid to the fund managers incentivises them to do this.

If the Trustee feels that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate the involvement of an investment manager.

04.02 Rebalancing policy

The Trustee, in conjunction with the Advisers, will monitor the actual asset allocation of the Plan on a six monthly basis via the governance report. If the actual allocation moves further than -/+10% from the target allocation for each fund, as set out in Appendix B, the Trustee will make a decision as to whether to switch assets back to the strategy following consideration of advice.

04.03 Rates of return

The target rates of return for each asset class are detailed in Appendix B.

04.04 Diversification

The Trustee has sought to achieve diversification by investing in pooled funds which have investment restrictions i.e. funds which impose concentration limits on individual positions and limits on the exposure to individual issuers. Generally speaking each asset class would expect to have different issuers and therefore add to the diversification of the Plan. The Trustee will monitor the strategy regularly to ensure that it is comfortable with the level of diversification.

04.05 Suitability

The Trustee has taken advice from the relevant Advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its investment objectives.

The Trustee has chosen to hold a significant proportion of the Plan's assets in pooled LDI funds (the 'off-risk' assets) to provide some degree of matching with the Plan's liabilities.

The aim of the return-seeking assets (e.g. equity funds) is to provide additional expected return above that achieved by the off-risk assets, consistent with the investment objectives.

Recognising that non-sterling investments carry an element of currency risk the Trustee has a policy of holding some of the assets in Sterling-denominated investments, to help match the Plan's liabilities.

04.06 Liquidity

All of the non-cash assets are held in pooled funds with frequent dealing dates.

05 **Strategy Implementation**

The Trustee has decided to invest in a range of actively and passively managed funds via the Platform Provider as considered appropriate for the specific asset class.

05.01 Mandate and performance objectives

The Trustee has received advice on the appropriateness of each pooled fund that the Plan is invested in from the Advisers and believes them to be suitable to meet the Plan's investment objectives. The benchmark for each fund currently held and its objectives are set out in Appendix B.

05.02 Manager agreement

Although the Plan is invested in pooled funds and as such there is no formal agreement between the Trustee and an individual fund manager relating to investments in each asset class, there is an investment management Policy Document in place.

05.03 Diversification

The assets are invested in pooled funds with diversification requirements. The Trustee will monitor the strategy regularly to ensure that it is comfortable with the level of diversification being achieved

05.04 Platform provider

The Trustee has appointed Mobius Life as the Platform Provider to administer the Scheme's assets. The Platform Provider is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

05.05 Custody

Custody of the underlying assets is at the discretion of the pooled funds, whilst shares and/or units in the funds are held in book form only. Cash is held securely in separate accounts with approved counterparties.

06 **Monitoring**

06.01 Pooled Funds

The Trustee maintains one policy with the Platform Provider. The Platform Provider links the value of the policy to specific funds chosen by the Trustee from time to time, following receipt of advice from the Investment Adviser.
The Trustee, or the Advisers on behalf of the Trustee, will regularly review the performance of the funds to satisfy themselves that the funds remain suitable.

If the Trustee is not satisfied with the performance of the funds it will ask the Investment Manager of those funds what steps they intend to take to rectify the situation. If the funds still do not meet the Trustee's requirements, it will look to purchase other funds - potentially with a different manager - after consultation with the Investment Adviser.

06.02 Platform provider

The Investment Adviser keeps the credit rating and solvency ratios of the Platform Provider under regular review as well as the choice of pooled funds on the platform.

06.03 Advisers

The Trustee will monitor the advice given by the Advisers on a regular basis.

06.04 Portfolio turnover costs

In respect of the underlying funds, the Trustee monitors the portfolio turnover costs on an annual basis.

The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manager. This is monitored on an annual basis.

The Trustee has delegated the responsibility of monitoring portfolio turnover costs and targeted portfolio turnover to their Investment Adviser.

06.05 Investment manager duration

In respect of the underlying funds, the Trustee plans to hold each of its investments for the long term but will keep this under review.

Changes in investment strategy or changes in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

06.06 Performance and remuneration reporting

The Trustee reviews the performance of each of the underlying funds every six months on a net of fees basis compared to its objective.

The Trustee assesses the performance periods of the funds over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered. The regular reporting also looks at performance over the previous 6 and 12 month periods.

The fund managers' remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of its Investment Adviser to ensure it is in line with the Trustee's policies and fees applying for similar asset classes and fund types.

06.07 Other

The Trustee is required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy.

07 **Fees**

07.01 Funds

The Trustee will ensure that the fees charged by funds and their expense ratios are consistent with levels typically available in the industry for passive/active funds.

The Trustee is aware of the investment manager policy regarding soft commission arrangements. Information about the investment manager's fees, commissions and other transaction costs is available in the annual report of the pooled funds in accordance with the Financial Conduct Authority ('FCA') Disclosure Code.

07.02 Platform provider

The Trustee will ensure that the fees charged by the platform provider are consistent with levels typically available in the industry.

07.03 Advisers

Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects. It has been agreed that the ongoing administration expenses of the Plan, including investment advisory fees will be covered 50% by the Sponsor and 50% by the Trustee.

07.04 Custodian

There is no custodian appointed directly by the Trustee.

07.05 Trustee

Fees paid to the Trustees are based on actual time spent and hourly rates, or on fixed fees for core trustee services. It has been agreed that the ongoing administration expenses of the Plan, including Trustee fees will be covered 50% by the Sponsor and 50% by the Plan.

08 **Risks**

The Trustee recognises a number of risks involved in the investment of assets of the Plan:

i. The risk of failing to meet the objectives as set out in Section 3 - the Trustee will regularly monitor the investments to mitigate this risk.
ii. The risk of adverse consequences arising through a mismatch between the Plan's assets and its liabilities. This is addressed through the asset allocation strategy and through regular actuarial and investment reviews and the funding target.
iii. Risk of lack of diversification of investments - addressed through investing in pooled funds with diversification requirements and through the asset allocation policy.
iv. Risk of holding assets that cannot be easily sold should the need arise - addressed through the use of pooled funds with frequent dealing dates.
v. Underperformance risk - addressed through monitoring closely the performance of each fund and taking necessary action when this is not satisfactory.
vi. Organisational risk - addressed through regular monitoring of the Investment Manager and the Advisers.
vii. Sponsor risk - the risk of the Employer ceasing to exist, which for reasons of prudence, the Trustee has taken into account when setting the asset allocation strategy.
viii. There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. This is addressed by the Trustee having a policy whereby such factors should be given appropriate consideration in relation to current and future investment decisions made, where possible.
ix. Operational risk that Solvency II look-through data is not provided for investment funds as required by the Sponsor – addressed through well-established process for provision of the required data between all relevant stakeholders including a signed agreement in place where needed.

The Trustee will keep these risks under regular review.

09 **Other Issues**

09.01 Statutory Funding Requirement

The Trustee will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustee, with the Advisers, will take an integrated approach to the review of its investment strategy in conjunction with the decisions it makes regarding the assumptions to be adopted for each of these actuarial valuations.

09.02 Environment, social and governance issues

The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. It believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes they are investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and Investment Adviser to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the investment managers' own policies on socially responsible investment. The Trustee will assess that these correspond with its responsibilities to the beneficiaries of the Scheme with the help of its Investment Adviser.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers. Developments in existing managers' approaches to ESG are also reviewed regularly with the help of the Investment Adviser. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors, including climate change, could impact the Scheme and its investments;
- Use ESG ratings information provided by its Investment Adviser to assess the existing investment managers' ESG credentials; and
- 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, via its Investment Adviser.

If the Trustee determines that financially material considerations have not been factored into the investment managers' processes, it will take this into account on whether to select or retain an investment.

The Trustee's policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

09.03 Stewardship

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights, where practical to do so, as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its Investment Adviser, and decide if they are appropriate.

The Trustee also expects the fund managers to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not deemed to be appropriate, the Trustee will engage with the investment manager, with the help of its Investment Adviser, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expects investment managers to adhere to this where appropriate for the investments they manage.

Appendix A Responsibilities

Trustee

The Trustee of the Plan is responsible for, amongst other things:

i. Determining the investment objectives of the Plan and reviewing these from time to time.
ii. Agreeing an investment strategy designed to meet the investment objectives of the Plan, in consultation with the Advisers.
iii. Reviewing triennially (or more frequently if deemed appropriate) the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers.
iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.
v. Assessing the quality of the performance and process of the Investment Managers by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers.
vi. Selecting pooled funds which are consistent with the investment strategy after consultation with the Advisers.
vii. Assessing the ongoing effectiveness of the Advisers, and dismissing and appointing Advisers.
viii. Consulting with the Employer when reviewing investment policy issues.
ix. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis, assisted, as required, by the Advisers.
x. Informing the Advisers of any changes to Plan benefits, significant changes in membership.
xi. Monitoring the risks associated with utilising a platform provider.

Platform provider

The Platform Provider will be responsible for, amongst other things:

i. Performing due diligence on the funds such that they do not create undue risks to the solvency of the insurer or the integrity of the platform.
ii. Maintaining adequate solvency ratios so as to minimise the risk of insolvency.
iii. Ensuring funds are managed in line with the mandate and investment restrictions are adhered to.
iv. Providing information on Solvency II look-through data in respect of investment funds to the relevant stakeholders as required by the Sponsor.

Investment adviser

The Investment Adviser will be responsible for, amongst other things:

i. Participating with the Trustee in reviews of this SIP.
ii. Advising the Trustee of how any changes within the Plan’s benefits, membership, funding position may affect the manner in which the assets should be invested.
iii. Advising the Trustee of any changes in the funds or the Investment Managers or the Platform Provider that could affect the interests of the Plan.

iv. Undertaking reviews of the Plan's investment arrangements including reviews of the asset allocation policy and current strategies and advising on the selection of new funds.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.
ii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Plan at the triennial valuations.
iii. Advising the Trustee of any changes to contribution levels and funding level.

Appendix B
Asset allocation

The Trustee invests in the underlying pooled funds within the Plan's investment portfolio through the use of a life policy provided by the Platform Provider. The details of the funds used are in the table below.

Having considered advice from the Advisers, the Trustee has decided upon the following benchmark allocation:

Fund	Manager	Asset class	Benchmark allocation (%)	Investment Style
On-risk assets			56	
UK Equity	LGIM	UK Equity Index	11.5	Passive
Global Equites	LGIM	World (ex UK) Equity Index	11.5	Passive
Diversified Growth	LGIM	Dynamic Diversified Fund	16.5	Active
Diversified Growth	Columbia Threadneedle	Dynamic Real Return Fund	16.5	Active
Off-risk assets			44	
LDI	BMO	Real Dynamic LDI Fund	42.0	Passive
LDI	BMO	Short-Profile Nominal Dynamic LDI Fund		Passive
Cash	LGIM	Cash Fund	2	Passive
Total			100	

Expected Returns and Performance Monitoring

The Trustee has agreed the following performance targets with LGIM, Columbia Threadneedle and BMO:

Fund	Benchmark Index	Objective
UK Equity Index	FTSE All-Share	To track the benchmark index within +/- 0.25% p.a. for 2 years out of 3.
World (ex UK) Equity Index	FTSE World (ex UK) NetTax (UKPN)	To track the benchmark index within +/- 0. 5% p.a. for 2 years out of 3.
Dynamic Diversified Fund	Bank of England Base Rate	To outperform the benchmark by 4.5% per annum over a full market cycle.
Dynamic Real Return Fund	UK CPI + 4% p.a.	To achieve a higher rate of return from capital appreciation and income than the rate of inflation in the UK, over a period of 3 to 5 years.
Real Dynamic LDI Fund	Liability related benchmark	To provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme.
Short-Profile Nominal Dynamic LDI Fund	Liability related benchmark	To provide liability hedging by offering interest rate protection which replicates the liability profile of a mature (ie. short duration) UK defined benefit pension scheme.
Cash Fund	SONIA	To perform in line with SONIA.

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Registration

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

XPS Pensions (Trigon) Limited, Registered No. 12085392.

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Authorisation

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).