Retail Trust Retirement and Death Benefits Scheme

Statement of Investment Principles

Barnett Waddingham LLP

October 2024

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustees of the Retail Trust Retirement and Death Benefits 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;
- 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. In preparing this statement the Trustees have consulted Retail Trust, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

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 3 of the Consolidated Trust Deed & Rules, dated 30 October 2015. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their manager 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 the investment manager identified in the Appendix to this Statement. The investment manager is authorised and regulated by the Financial Conduct Authority and is 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 manager with respect to performance within any guidelines set. The Trustees will also consult the Principal Employer 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 that 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;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives; and
- to take account of the long-term risks, including those relating to non-financial factors, when making investment decisions.

3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained 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. 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.

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 may 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 managing/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. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the Principal Employer and the size of the pension liability relative to the Employer's charitable donations, activities and income are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the Principal Employer covenant
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
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 the Scheme's investment manager on a regular basis in addition to having meetings from time to time as necessary. The Trustees have a written agreement with the investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	The investment manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor this, with input from their investment consultants where necessary, and will report on the manager's 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 are potentially financially material and will continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.
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 by the manager on elements of their portfolios to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by the 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). The Trustees undertake an annual review of the internal controls and processes of the investment manager.

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 manager.

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 Scheme's 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. The Trustees meet the Scheme's investment manager as frequently as is appropriate to review performance, as referenced above.

8. Realisation of investments

8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment manager. 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-financially material considerations, 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 polices

10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.

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. The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustees monitor the investment manager's approach to ESG and climate related risks on an annual basis.

10.4. 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 may be terminated.

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

10.5. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. 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.

10.6. 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. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer-term performance target to be sufficient to ensure an appropriate alignment of interests.

10.7. The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual 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

10.8. The Trustees monitor the performance of their investment manager over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.

10.9. The Scheme invests in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees.

10.10. The Trustees believe that this fee structure, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.11. 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, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

10.12. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

10.13. 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

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

10.15. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' 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 manager, and the specific funds used, is assessed.

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 Principal Employer, the Scheme Actuary and the Scheme auditor upon request.

Signed on behalf of the Retail Trust Retirement and Death Benefits Scheme on 14 October 2024

Appendix 1: Note on investment policy of the Scheme as at October 2024 in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Portfolio	Asset Class	Allocation (%)	
Growth Portfolio	**Equities**	**30%**	
	LGIM Future World Global Equity Fund		15%
	LGIM Future World Global Equity Fund (GBP Hedged)		15%
	Diversified Growth Fund	**25%**	
	LGIM Diversified Fund		25%
Protection Portfolio	**Bonds**	**19%**	
	LGIM Buy and Maintain Credit Fund		10%
	LGIM Absolute Return Bond Fund		9%
	Leveraged LDI Solution	**21%**	
	LGIM Matching Core LDI Funds		21%
	Cash	**5%**	
	LGIM Sterling Liquidity Fund		5%
Total		**100%**	

The choice of LDI funds has been made with reference to the characteristics of the Scheme's liabilities, since the intention of these investments is that they should move in value in a similar way to the Scheme's Technical Provisions in order to reduce the volatility of the Scheme's funding position. The Trustees have adopted an LDI Portfolio that aims to hedge approximately 75% of the interest rate and inflation risk of the Scheme's total liabilities on the 2022 Technical Provisions basis.

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 seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances.

2. Choosing investments

The Trustees have appointed Legal & General Investment Management ("LGIM") to carry out the day-to-day investment of the Scheme's assets.

The Trustees have a with-profits arrangement with Prudential for members' Additional Voluntary Contributions (AVCs) and this arrangement is reviewed from time to time.

The investment manager and AVC providers are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each fund are given below:

LGIM Fund	Benchmark	Objective
Future World Global Equity Fund	Solactive L&G ESG Global Markets Index	To track the performance of the benchmark to within +/-0.60% p.a. for two years out of three.
Future World Global Equity Fund (GBP Hedged)	Solactive L&G ESG Global Markets Index – GBP Hedged	To track the performance of the benchmark to within +/-0.60% p.a. for two years out of three.
Diversified Fund	FTSE Developed World Index – 50% GBP Hedged	To provide long-term investment growth through exposure to a diversified range of asset classes.
Buy and Maintain Credit Fund	No official benchmark	To capture the credit spread, through holding a globally diversified portfolio of predominantly investment grade credit, and to preserve value over the course of the credit cycle by avoiding defaults and securities experiencing a significant deterioration in credit quality.
Absolute Return Bond Fund	ICE Bank of America SONIA 3-Month Constant Maturity Total Return Index	To outperform the benchmark by +1.5% p.a. gross of fees over a rolling three-year period.

Matching Core LDI Funds	Bespoke liability profile benchmarks valued on both gilt and swap curves	To track the benchmark.
Sterling Liquidity Fund	Sterling Overnight Index Average ("SONIA")	To track the benchmark and to offer liquidity and capital stability.

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

3. Investments and disinvestments

The Scheme is expected to have negative cashflow.

Any investments or disinvestments involving the LDI Portfolio and the LGIM Buy and Maintain Credit Fund will affect the level of interest rate and inflation hedging. Therefore, through the normal course of events, cashflow management transactions will not be made using funds in the LDI Portfolio unless a change in the hedging level is required, or under other circumstances at the Trustees' discretion.

Disinvestments will usually be made from the LGIM Sterling Liquidity Fund in the absence of any advice from the investment consultant, with the LGIM Absolute Return Bond Fund as the secondary source. The Trustees have set up a monthly standing order of £50k from the LGIM Sterling Liquidity Fund to support the Scheme's ongoing cashflow needs.

Investments should be made in order to bring the Scheme's asset allocation closer in line with the strategic target.

The Trustees retain the discretion to direct investments and disinvestments as appropriate depending on the Scheme's circumstances.

Meeting collateral calls on the LDI funds

The Scheme's investments with LGIM provide interest rate and inflation protection through pooled LDI Funds. As noted above, LDI and Buy & Maintain Credit is excluded from rebalancing and cashflow management as the Trustees seek to maintain a hedging level and, in doing so, it is acceptable that the asset allocation may fluctuate.

The Trustees have a policy in place with LGIM to meet collateral calls from the LDI funds. The first source of collateral for meeting a de-leveraging event (i.e. where additional cash is called to be paid into the LDI funds) is the LGIM Sterling Liquidity Fund. However, should the LGIM Sterling Liquidity Fund be depleted, the Trustees have set up a collateral 'waterfall', such that LGIM can automatically use the LGIM Absolute Return Bond Fund and then the LGIM Diversified Fund. The LGIM Sterling Liquidity Fund is used for re-leveraging events (i.e. where cash is paid out of the LDI funds).

Appendix 2: Financially material considerations, non-financially material considerations, 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) are potentially financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer.

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. The Trustees, and the manager 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 views set out below will be taken into account when appointing and reviewing managers.

Equities – The Trustees consider that ESG issues may be financially material to the risk-adjusted returns achieved by the Scheme's equity manager over the Trustees' intended time horizon for the investment in question. The investment process for any equity fund manager should take ESG into account when selecting holdings. The Trustees also support engagement activities and, where relevant, the exercise of rights attaching to the investments by the Scheme's equity fund manager. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Diversified Growth Funds – The Trustees consider that ESG issues may be financially material to the risk-adjusted returns achieved by the Scheme's diversified growth fund manager over the Trustees' intended time horizon for the investment in question. The investment process for any diversified growth fund manager should take ESG into account when selecting holdings. The Trustees also support engagement activities and, where relevant, the exercise of rights attaching to the investments by the Scheme's diversified growth fund manager. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Bonds – The Trustees consider that ESG issues may be financially material to the risk-adjusted returns achieved by the Scheme's credit holdings over the Trustees' intended time horizon for the investment in question. The investment process for the manager should take ESG into account when selecting holdings. The Trustees also support engagement activities, although they appreciate that fixed income assets do not typically provide voting rights. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Liability Driven Investment – The Trustees consider that ESG issues are not financially material to the risk-adjusted returns achieved by the Scheme's Liability Driven Investment strategy, given its sole purpose is to provide a hedge against the Scheme's exposure to movements in nominal interest rates and inflation.

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: Where appropriate, the Trustees will receive updates from their investment consultants on the ESG credentials of the investment manager.

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:

- Where required, the Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments.
- The investment consultant will inform the Trustees of any changes to the ESG credentials of the investment manager and stewardship activities will be reported on annually in the Implementation Statement.
- Through their investment consultant the Trustees will request that the Scheme's investment manager provides information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

2. Non-financially material considerations

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 qualify 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 manager on the Trustees' behalf. In doing so, the Trustees expect that the investment manager 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 manager 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 where needed.

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 where needed~~,~~ monitor and review the information provided by the investment manager. Where possible and appropriate, the Trustees will engage with their investment manager 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. 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 also consider it to be part of their investment manager's 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 manager invests 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 manager are unable to invest in the Principal Employer.

Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultant, Barnett Waddingham, 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 their investment manager 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.