Frederic Robinson Limited Pension & Life Assurance Benefits Scheme

Statement of Investment Principles – August 2020

1. Introduction

The Trustees of the Frederic Robinson Limited Pension & Life Assurance Benefits Scheme ("the Scheme") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 (as amended) as well as associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). As required under the Act, the Trustees have consulted a suitably qualified person in obtaining written advice from their investment consultant, Mercer Limited ("Mercer"). The Trustees, in preparing this Statement, have also consulted the sponsoring Company.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on advice from their investment consultant, Mercer. The strategy is driven by its investment objectives as set out in Section 2 below. The remaining elements of policy are part of the day to day management of the assets, which is delegated to professional investment managers and described in Section 3.

In making decisions, the Trustees seek professional advice. Following such advice, the Trustees undertake to discuss the issues and agree a way forward. At present, no separate Investment Sub-Committee is in place.

In considering appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended). More information on the day to day management of the assets can be found in section 3.

2. Investment Objectives, Risk and Investment Strategy

2.1 Investment Objectives

The Trustees' primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met. In meeting this objective the Trustees' further objectives are to:

- Reach a position such that the Scheme's assets would be sufficient to exceed the liabilities.

- By means of an agreed combination of investment return and funding budget from the Sponsor, move the Scheme to a position of being fully funded on a de-risked funding basis (gilts +0.5% p.a.) by 2027.

The Trustees recognise this ultimately means investing in a portfolio of bonds but believe that at the current time some investment in return seeking ("Growth" assets) is justified to target enhanced return expectations and thereby target funding level improvements. The Trustees recognise that this introduces investment risk and these risks are discussed below.

The Trustees have agreed a target of moving to an entirely bond based investment strategy ("Matching" assets) when a suitably strong funding level is achieved. The Trustees will monitor progress against this target.

The Trustees have appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustees' strategy whereby the level of investment risk reduces as the Scheme's funding level improves. The Trustees have also appointed BlackRock and Insight Investment Management to each manage a portfolio of Scheme assets. Mercer take account of these investments within the Dynamic De-risking Solution.

2.2 Investment Strategy

At the latest review of the de-risking framework, after taking advice from Mercer, the strategy set out a de-risking "flight-path" that accelerates the pace of the Scheme's de-risking as the funding level objective of 100% on a gilts+0.5%p.a. funding basis approaches. The strategy sets out funding level targets that, if breached, will automatically trigger a reduction in the allocation to the growth portfolio and a corresponding increase in the allocation to the matching portfolio.

At the time of writing the current investment strategy comprises a broad allocation of 52% "Growth" assets and 48% "Matching" assets. In agreeing this strategy, the Trustees recognise that some investment risk needs to be taken to achieve the funding target and ensure that the cost of funding the Scheme is manageable from the sponsoring Company's perspective.

The target funding levels and associated investment strategies are summarised in an investment management agreement. The Scheme's funding level is monitored by Mercer on a daily basis against its expected path. In designing the de-risking strategy the Trustees have decided that once the Scheme's funding level has moved through a Band and de-risking has taken place, the asset allocation will not be automatically "re-risked" should the funding level subsequently deteriorate.

The Trustees believe that the investment risks arising from the investment strategy are consistent with the overall level of risk being targeted. Should there be a material change in the Scheme's circumstances the Trustees will advise Mercer, who will review whether and to what extent the investment arrangements in place at that time should be altered; in particular whether the current de-risking strategy remains appropriate. The Trustees will, with Mercer, review the suitability of the prevailing strategy on a broadly annual basis and amend if appropriate.

Growth Portfolio

The Trustees, on advice from Mercer, have set the following benchmark asset allocation within the Growth portfolio:

Asset Class	%
Developed Market Global Equities[1]	62.5
Diversified Growth	22.5
Secured Finance	15.0
Total	100.0

[1] Split of 80%:20% between currency hedged fund and unhedged fund

The actual allocation will deviate over time with relative market movements and due to any moves from the Growth portfolio to the Matching portfolio coming from the equity funds only. The Trustees will periodically review the allocation and, based on advice, decide whether a rebalance or change to the cashflow management policy is required. The Trustees have set parameters around the construction of the global equity allocation within the Growth portfolio. See section 3.

Matching Portfolio

Within the Matching portfolio, the Trustees have delegated full discretion to Mercer to construct a portfolio of bonds and bond-like instruments via pooled funds, which aim to broadly match the Scheme's liabilities.

Within the Matching portfolio, Mercer utilises gilt funds, corporate bond funds and Liability Driven Investment "flexi" funds, which invest in gilts and derivatives to achieve a closer hedging of liabilities than could be achieved by using gilts alone. These flexi funds, like the majority of Liability Driven Investment vehicles, use leverage to free up assets and extend the coverage of the liability hedge to better manage risk. Due to leverage, in certain market conditions, the Trustees may be required to provide additional monies to maintain their exposure. In the absence of monies being paid a proportion of the exposure may be realised. The Trustees have liquid assets which could be used to meet the requests.

In delegating discretion to Mercer to construct the matching portfolio, the Trustees note that Mercer may not initially target a full liability hedge, but rather use discretion to "build up" the liability hedge, as de-risking progresses and as and when opportunities arise to increase the liability hedge at what Mercer deems to be a reasonable price. Mercer can also vary the hedge (up and down) in response to market conditions.

Further detail on the implementation of the investment strategy is given in Section 3.

2.3 Risk Management and Measurement

In establishing the investment arrangements i.e. the selection, retention and realisation of investments, the Trustees consider financially material matters. The Trustees believe the following investment risks to be potentially financially material to the Scheme over its anticipated remaining timeframe:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities. The Trustees' willingness to take investment risk is dependent on the continuing financial strength and support of the Company. Therefore, a key risk is the failure of the Company to be able or willing to support the Scheme. The Trustees receive periodic business plan and progress updates from the Company, and formally assesses the support at least every three years as part of the actuarial valuation.

- The Trustees aim to control the risk of a shortfall arising from the asset and liability mismatch, and therefore the reliance on the Company support, by splitting the assets into Growth and Matching assets and having a de-risking framework. Together these portfolios are expected to deliver a return on the portfolio sufficient to meet the objectives outlined in Section 2.1. As the funding level improves, investments will be switched from Growth assets into Matching assets with the aim of reducing investment risk and reliance on the Company.

- The main other financially material considerations relate to risks in implementing the investment strategy. In seeking to manage these risks, the Trustees have determined that its focus should be on the long term strategic objectives rather than implementation. As a result, it has appointed a third party, currently Mercer, to implement the strategic framework. The Trustees receive monthly dashboards on progress and detailed quarterly performance reports. The Trustees also have access to daily investment information on funding level progress and assets. The Trustees and Mercer undertake a detailed review of the framework, to see if it remains on target for meeting the objectives in Section 2.1, every three years to coincide with the actuarial valuation, with annual recalibration reviews.

- The key implementation risks are outlined below:
  - Lack of diversification. The Trustees recognise the risks that may arise from the lack of diversification of investments. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled and unitised vehicles. Reports received from their investment consultant provide the Trustees with detail of the asset allocation implemented and the managers selected for each asset class.

  - Risks arising from the use of active investment managers. However, for specific asset classes the Trustees believe that this risk is outweighed by the potential gains from successful active management. Passive management will be used to diversify and reduce risk, and when investing in markets deemed efficient (where the scope for added value is limited). Within the reports received by the Trustees from their investment consultant details on return, risk and benchmark information is provided to enable the Trustee to understand performance of the managers.

- Risks arising from environmental, social and corporate governance (“ESG”) issues including climate change and stewardship. The Trustees believes that these factors present threats but also opportunities over certain timeframes. However, they currently believe that investment managers are best placed to make decisions in relation to these factors. The Trustees review reports from Mercer on their views of how well managers integrate ESG factors into their process. In addition, they receive ESG related reporting in relation to the Mercer funds . Further detail is outlined in Section 4.

- Currency risk. The Scheme is subject to currency risk because some of the investment vehicles in which the Scheme invests are denominated or priced in a foreign currency. The Trustees periodically review their strategic position in relation to currency hedging of the equity holdings. Currently 80% of the specific strategic allocation to overseas developed market equity exposure is hedged.

- Liquidity. The Trustees have carefully considered the Scheme’s liquidity requirements and time horizon when setting the investment strategy and manage liquidity risk by ensuring illiquid asset classes represent an appropriate proportion of the overall investment strategy.

- Regulated markets. By investing in the Mercer Funds, the Trustees do not make investments in securities that are not traded on regulated markets. However, should the Trustees Scheme’s assets be invested in such securities, in recognition of the associated risks (in particular liquidity and counterparty exposure), such investments would normally only be made with the purpose of reducing the Scheme’s mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustees would ensure that the assets of the Scheme are predominantly invested on regulated markets.

- Safe keeping of assets. Responsibility for the safe custody of the Scheme’s assets is delegated to investment managers via the use of pooled funds.

Non financially material considerations, for example, member views on ethical considerations, are not currently taken into account in the selection, retention and realisation of investments.

3. Day-to-Day Management of the Assets

3.1 Main Assets

The Trustees have delegated day-to-day management of the assets to professional investment managers, either via appointments direct with investment managers or via the appointment of Mercer[1].

[1] The proportion of assets with Mercer are invested in multi-client collective investment schemes (“Mercer Funds”) managed by a management company (Mercer Global Investments Management Limited (“MGIM”)). MGIM has appointed Mercer Global Investments Europe Limited (“MGIE”)) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund.

Mercer is appointed to manage a proportion of the Growth portfolio mandate (equity funds) and the entire Matching portfolio mandate. Ultimate day to day decisions on investment are made by investment managers selected by MGIE who manage the Mercer Funds. MGIE is responsible for the selection, appointment, removal and monitoring of the underlying investment managers.

The Trustees have also appointed Insight Investment Management (Global) Limited ("Insight") for the management of the Secured Finance allocation and BlackRock for the management of the Scheme's Diversified Growth allocation.

The table below outlines the Growth portfolio in more detail:

Umbrella	Asset Class	Target Allocation
Mercer QIF CCF	Mercer Passive Global Equity CCF (**Hedged)**	50.0%
Mercer QIF CCF	Mercer Passive Global Equity CCF (**Unhedged)**	12.5%
n/a	Insight Secured Finance II Fund	15.0%
n/a	BlackRock Dynamic Diversified Growth Fund	22.5%
Total		**100.0%**

The actual asset allocation relative to the Target Allocation will be periodically monitored by the Trustees, as outlined in Section 2.2. The diversified growth fund may invest overseas and will make an active decision on whether or not retain the currency risk as a potential source of return. The secured finance fund may invest overseas, but the currency risk is hedged so the risk is very low.

The Trustees have taken steps to satisfy themselves that BlackRock and Insight have the appropriate knowledge and experience to manage the Scheme's investments. Each investment manager is regulated by the appropriate regulator. The Trustees regularly review the continuing suitability of the Scheme's investments, including Mercer's role.

As required by legislation, the Trustees have entered into signed Agreements ("the Agreements") with Insight, BlackRock and Mercer which are consistent with this Statement. The Agreements provide important protections for the Scheme itself and for the Trustees. They also set out the terms on which the assets are managed, the investment briefs, guidelines and restrictions under which the parties work.

3.2 Performance Objective and Risk Parameters

The performance objectives for the funds within the Growth portfolio are as follows:

Fund	Benchmark Index	Performance Objective
Mercer Passive Global Equity CCF (Unhedged)	MSCI World (NDR)	Track the benchmark (gross of fees)
Mercer Passive Global Equity CCF (Hedged)	MSCI World (NDR) (Hedged)	Track the benchmark (gross of fees)
Insight Secured Finance II Fund	3 month LIBOR	Benchmark + 3% p.a. (gross of fees and expenses) over a rolling three-year period
BlackRock Dynamic Diversified Growth Fund	3 month LIBOR	Outperform 3 month LIBOR by 3% p.a., net of fees, over a rolling three year period

3.3 Rebalancing and Cash Management Policy

Mercer monitors the split between the Growth and Matching portfolios on a daily basis. Although Mercer has discretion to vary the tolerance range, it is the intention of Mercer not to allow the Growth Portfolio Allocation to drift by more than 5%, in absolute terms (but expected to be much lower in typical market conditions), away from the relevant target Growth Portfolio Allocation for the relevant Funding Level Band without taking corrective action. The Trustees monitor the Scheme's asset allocation on a regular basis, in particular to consider whether assets need to be transferred from the external managers to the Mercer Funds for rebalancing purposes.

The Trustees' default cashflow policy is as follows:

- All investments of new monies will be directed to the MDDS portfolio.
- Any disinvestments required to meet cashflow needs will come solely from the MDDS portfolio.

Within the MDDS portfolio, cashflows, whether positive or negative, are used to move the Scheme's asset allocation back towards the strategic allocation appropriate at that point in time.

The Trustees have full discretion to deviate from this policy at any time if it is in the best interests of the Scheme.

3.4 Additional Assets

The Trustees retain a working cash balance with the administrators to deal with routine expenditure.

The Trustees may from time to time hold insurance policies or other assets which are earmarked for the benefit of certain members.

AVCs are available to those members who were paying prior to April 2006. Members invest in unit-linked contracts, at the member's option, arranged with Utmost Life and Pensions (formerly Equitable Life Assurance Society). Policy documents have been issued to the Trustees from the companies covering the AVCs.

3.5 Buying and Selling Investments

The Trustees on behalf of the Scheme hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments. The Trustees also hold assets with BlackRock and Insight and have delegated the responsibility for buying and selling investments to those investment managers. The managers will realise monies on the Trustees' and/or administrator's instructions.

The Insight Secured Finance II Fund is only realisable with 4 months' notice and deals each calendar quarter end.

3.6 Monitoring the Investment Managers

The Trustees meet Insight, BlackRock and Mercer periodically to review their actions, together with the reasons for and background behind the investment performance. Mercer are retained as investment consultants to assist the Trustees in fulfilling its responsibility for monitoring the external investment managers. In addition, monitoring and replacement of the managers underlying the Mercer Funds is a core element of MDDS. More information on the Trustees' policies can be found in section 5.

3.7 Investment Management Fees

BlackRock's and Insight's investment management fees are based on their assets under management. Mercer levies a fee which covers the de-risking strategy and core investment consulting services. In addition, the underlying investment managers within the Mercer Funds levy fees based on a percentage of the value of the assets under management. The level of the underlying fees is variable and may change if there is any change to the underlying investment managers appointed by MGIE within the Growth or Matching portfolios, or due to changes to the asset allocation.

4. Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in sections 2 and 3, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy as outlined in section 2. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review. The Trustees also hold assets with BlackRock and Insight in multi-client pooled funds, and similarly are unable to dictate the risk and return profile. However, the Trustees are able, having taken advice, to align their objectives with stated objectives of the funds managed by these managers.

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment. The asset managers underlying the Mercer Funds are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager. BlackRock and Insight are incentivised by the knowledge that the Trustee will review their appointment if, over time, they do not meet expectations.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustees review the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of the Funds invested in.

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. BlackRock and Insight make similar decision to the underling third party asset managers in the Mercer Funds.. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term.

The Trustees are, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager , BlackRock and Insight embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement. Section 5 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Fund's investment objectives or the objectives/policies of the Scheme.

The Trustees are long-term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review.

The Trustees periodically monitor, and evaluate, the fees it pays for investment services taking into account investment performance and the progress made in achieving its investment strategy objectives as outlined in section 2. Mercer's, BlackRock's and Insight's fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

Within the Mercer Funds, MGIE reviews the fees payable to third party asset managers on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee. Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annualised, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Funds.

The Trustees do not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

5. Responsible Investment and Corporate Governance

The Trustees believe that environmental, social, and corporate governance ("ESG") factors may have a material impact on investment decisions (selection, retention and realisation) over the expected time horizon of the Scheme, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration. At the current time they have not made dedicated allocations to ESG focussed funds. This position will be periodically reviewed as part of investment strategy considerations.

The Trustees have delegated the evaluation of ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments to the appointed investment managers, in accordance with their own corporate governance policies. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, is expected to provide reporting to the Trustees on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios. Mercer also provides and assessment of how BlackRock and Insight integrate ESG into their investment processes.

Member views are not taken into account in the selection, retention and realisation of investments.

The Trustees have not set any investment restrictions in relation to ESG matters.

6. Compliance with this Statement

We, the Trustees, rely upon the investment managers, and our advisors to assist us in complying with this Statement.

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the Principal Company which it judges to have a bearing on the stated Investment Policy. This review will occur no less frequently than every three years. Any such review will again be based on written, expert investment advice and the Company will be consulted.

Mercer, BlackRock and Insight will provide quarterly reports to the Trustees including:

- Valuation of all investments held for the Scheme
- Performance of the assets.

Mercer will, upon request by the Trustees, provide the advice needed to allow us to review investment performance and to review and update this Statement.