Liberty Retail Pension Scheme ("the Scheme")
Statement of Investment Principles ("the Statement")

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 14 June 2024. The Trustees will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this Statement and as soon as is practical after any significant change in investment policy.

Consultations made

The Trustees have consulted with the Employer, Liberty Retail Limited, prior to writing this Statement and will continue to take the Employer's comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Scheme. The Trustees have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Investments Limited (Aon) who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme's assets has largely been delegated to Aon Investments Limited (AIL). A copy of this Statement has been provided to the appointed investment manager and is available to the members of the Scheme.

Objectives and policy for securing objectives

The Trustees' primary investment objectives are:

- "Funding objective" – to ensure that the Scheme is fully funded using assumptions that contain a margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer.
- "Stability objective" – to have due regard to the likely level and volatility of Employer contributions when setting the investment strategy of the Scheme.
- "Security objective" – to ensure that the solvency position of the Scheme is expected to improve over time. The Trustees will take into account the strength of the Employer's covenant when determining the expected improvement in the solvency position.

The Trustees recognise that these objectives may conflict and that, in resolving this conflict, it is necessary to accept some risk. The investment strategy chosen by the Trustees has the aim of maximising the likelihood of achieving these objectives.

Choosing investments

The types of investments held and the balance between them are assessed by the Trustees given the liability profile of the Scheme, the cash flow requirements, the funding level and the Trustees' objectives. The assets of the Scheme are invested in the considered best interests of the members and beneficiaries.

The Trustees exercise their powers of investment 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.

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

The assets of the Scheme are invested predominantly on regulated markets or in funds that invest in regulated markets. Investments not on regulated markets are kept to a prudent level. The assets of the Scheme are also 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.

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

The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to meeting their investment objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation and take expert advice as required from their professional advisers.

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

A broad range of asset classes has been considered. This includes so called "alternative" asset classes.

Investment risk measurement and management

The key investment risks are recognised as arising from asset allocation and are assessed triennially in conjunction with the actuarial valuation of the Scheme. Following this, the Trustees take advice on the continued appropriateness of the existing investment strategy for the Scheme and proposed amendments to that strategy.

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 Trustees also have an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring Employer. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and of Employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Scheme's existing investment strategy.

The Trustees receive quarterly update reports from Aon on financial metrics relating to the covenant strength of the sponsoring Employer. The strength of the covenant is taken into account when considering the proposed investment strategy of the Scheme.

The Trustees monitor the risks arising from investment through the selection or appointment of investment managers on an annual basis via investment reports prepared by their professional advisors. The Trustees have appointed Aon to alert them on any matters of material significance that might affect the ability of any investment manager to achieve its objectives.

The Trustees recognise that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than anticipated.

Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The investment managers are responsible for the appointment and monitoring of the custodians of the pooled funds. The custodians are independent of the sponsoring Employer.

Expected returns on assets

Over the long-term, the Trustees' expectations are:

- For "growth" assets to achieve a return which at least keeps pace with the increase in Average Weekly Earnings over the same period. The Trustees are willing to incur short-term volatility in asset price behaviour with the expectation that, over the long term, these assets will outperform asset classes which may be regarded as matching the liabilities.

- For "matching" assets, their values to move in a way that matches the sensitivity of the Scheme's pension liabilities to interest rates and inflation.

Projected 10 year investment returns for the asset classes taken from Aon's Capital Market Assumptions at 31 December 2023 were: 6.1% pa for UK equities, 4.2% pa for 10-year UK investment grade corporate bonds, 4.2% pa UK 15-year fixed income government bonds and 3.2% pa UK 15-year index-linked government bonds.

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustees in consultation with their professional advisers.

Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. The majority of the Scheme's assets are realisable at short notice through the sale of units in pooled funds. The Trustees invest a proportion of the Scheme's assets in funds that deal monthly.

The Trustees have issued a redemption for a holding in a fund of hedge funds. The proceeds of this investment are being repaid to the Scheme in accordance with a schedule set out by the investment manager.

Environmental, Social and Governance considerations

The Trustees' primary concern when setting the investment strategy is to act in the best financial interests of the beneficiaries, seeking the return that is consistent with a prudent and appropriate level of risk. The Trustees believe that, in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, they must act as responsible stewards of the investments.

The Trustees acknowledge that financially material considerations include environmental, social and corporate governance (ESG) factors, including climate change. Understanding these factors can help identify investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustees require the investment managers to include ESG considerations in the selection, retention and realisation of investments. Such decisions should consider, amongst other things, the sustainability of business models and not be influenced by personal, ethical or moral judgments.

The Trustees take the following steps to monitor and assess ESG related risks and opportunities:

- The Trustees undertake periodic training on Responsible Investment to understand how ESG factors, including climate change, may impact on the Scheme's assets and liabilities.
- As part of ongoing monitoring, the Trustees use information provided by Aon of their assessment of the underlying investment managers against ESG factors.
- On an annual basis, the Trustees require AIL to provide their policy on Responsible Investment to the Trustees and to include details of how they integrate ESG into their investment decision making process.
- The results of the Trustees' ESG monitoring is included in the Trustees' Engagement Policy Implementation Statement. This is prepared each year from data received from the Trustees' Investment Managers.

The Trustees have appointed AIL to manage the Scheme's assets. AIL invests in a range of underlying investment vehicles.

As part of AIL's management of the Scheme's assets, the Trustees expect AIL to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and
- Report to the Trustees on its ESG activities as required.

Stewardship – voting and engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

The Trustees have delegated all voting and engagement activities to the Scheme's investment managers, via AIL. The Trustees accept responsibility for how AIL stewards assets on their behalf, including the casting of votes in line with each managers' individual voting policies. The Trustees review manager voting and engagement policies on an annual basis from AIL to ensure they are in line with the Trustees' expectations and in the members' reasonable best interests.

As part of AIL's management of the Scheme's assets, the Trustees expect the manager to:

- Ensure that (where appropriate) underlying asset managers exercise the Trustees' voting rights in relation to the Scheme's assets; and

- Report to the Trustees on stewardship activity by underlying asset managers as required.

Managers are expected to vote at company meetings and engage with companies on behalf of the Trustees, in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the Trustees.

Where voting is concerned, the Trustees expects the underlying managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees may engage with AIL, which in turn can engage with underlying managers, investee companies or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made.

This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustees' active ownership policies, are being actioned. This will take the form of interactive dialogue via email and at regular and/or ad-hoc meetings as required and will be supplemented by annual reporting.

Should the Trustees' monitoring process reveal that a manager's voting and engagement policies and actions are not aligned with the Trustees' expectations, the Trustees will engage with AIL to discuss how alignment may be improved to bring about reasonable long-term outcomes for the Scheme.

Arrangements with investment managers

The Trustees have appointed AIL as investment manager for the Scheme's assets. References in this policy to 'underlying asset managers' refers to those asset managers which AIL, in turn, appoints to manage investments on behalf of the Trustees.

The Trustees recognise that the arrangements with AIL, and the underlying asset managers, are important to ensure that interests are aligned. The Trustees seek to ensure that AIL is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

Where the Scheme invests in funds that are regularly reviewed by the Trustees' investment consultant, the Trustees use conclusions drawn from these assessments to determine whether the funds and investment managers remain suitable.

Where the Scheme invests in funds that are not regularly reviewed by the Trustees' investment consultant, the Trustees review these funds on an annual basis with the support of their investment consultant.

The above monitoring includes the extent to which investment managers:

- make decisions based on assessments about medium- to long-term 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 Trustees receive quarterly reports and verbal updates from their investment consultant on various items including the investment strategy, performance and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives. The Trustees assess the investment managers over the long-term.

In line with the required actions from the Pensions Regulator, on an annual basis the Trustees produce an EPIS which is included in the Scheme’s annual report and financial statements.

Before appointment of a new investment manager, the Trustees review the governing documentation associated with the investment manager and consider the extent to which this aligns with the Trustees' policies. Where possible, the Trustees seek to amend the investment manager’s documentation so that there is more alignment with that of the Trustees. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustees will express their requirements to the investment manager and the results of this are monitored by the investments consultant.

The Trustees believe that having appropriate governing documentation, setting clear expectations to the investment managers, and regular monitoring of investment managers' performance and investment strategy, is the right focus to incentivise the investment managers to make decisions that align with the Trustees' policies based on assessments of medium- and long-term financial performance.

Where AIL is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustees will typically engage with AIL to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with AIL, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that AIL invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

Cost monitoring

The Trustees are aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, other costs will be incurred by the investment managers that will increase the overall cost incurred by those investments.

The Trustees receive annual cost transparency reports covering all of their investments and require that AIL provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustees to evaluate exactly the total costs that they are paying to AIL and the underlying investment managers. The Trustees work with their investment consultant and AIL to consider these costs in more detail where required.

The Trustees believe that, net of all costs, performance assessments provide an incentive on investment managers to manage costs efficiently. They also understand that regular monitoring of these costs will improve the incentive of investment managers to control inefficiencies.

The Trustees 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 can be acceptable so long as it is consistent with the asset class characteristics, the investment manager’s style, historic trends and performance against stipulated benchmarks.

The Trustees are aware of portfolio turnover costs, being the costs incurred as a result of the buying, selling, lending or borrowing of investments, associated with their underlying investments through the information provided by their investment managers. The monitoring of the target portfolio turnover and turnover range is monitored annually with the assistance of the Trustees' investment consultant.

Effective decision making

The Trustees 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 receive. The Trustees have delegated management of investments to AIL and its chosen underlying managers. These managers, who are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments in line with the Investment Manager agreements between them and AIL. The day-to-day management of the Scheme's investment portfolio, which includes discretion for stock selection, is the responsibility of the investment managers.

Additional Voluntary Contributions arrangements

Some members obtain further benefits from the Scheme by paying Additional Voluntary Contributions (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 the providers and funds are set out in Appendix I to this Statement.

From time to time, the Trustees review the choice of investments available to members to ensure that they remain appropriate to the benefits that are payable to members under the Scheme.

Trustees of the Liberty Retail Pension Scheme

Liberty Retail Pension Scheme
Appendix to Statement of Investment Principles

This Appendix sets out the Trustees' investment strategy for the Scheme and is supplementary to the Trustees' Statement of Investment Principles (the "attached Statement").

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

1. Asset Allocation

The table below sets out an approximate asset allocation for the Scheme. This weighting is reviewed in light of current circumstances, for example, when new investment decisions are proposed, when the triennial actuarial valuation is completed and when the financial statements for the most recent year ended 30 June are approved. The Trustees consult with their investment consultant and if changes are required, they are implemented as soon as possible thereafter.

Asset Class	Weight (%)
Fruition Real +2%	**30**
Fruition Fixed +2%	**50**
Active Diversifiers Fund	**12**
Active Fixed Income Fund	**8**
Total	**100**

The Fruition funds are intended to match, as close as practical, 95% of the interest rate and inflation risk of the Scheme's Technical Provisions.

The Trustees also hold a residual amount in a fund of hedge funds managed by JP Morgan. This fund is in the process of returning capital to investors.

2. Investment Management Arrangements

The Trustees have appointed Aon Investments Limited (AIL) to manage the investments of the Scheme. The assets are managed through pooled fund vehicles. The following describes the mandates given to the investment managers within each asset class, including the benchmark and target performance.

2.1 AIL Funds

Fund	Benchmark	Performance Target
Fruition Real +2%	There are two components: • It invests in a portfolio of leveraged index linked gilt funds that have been selected to hedge the interest rate risk of a pension scheme with real (inflation linked) benefits, a duration of 17.2[1] years and a typical cashflow profile. • It invests in the Managed Growth Fund, which targets a return of 4% p.a. above cash (i.e. SONIA). The above returns are net of investment management costs and are expected to broadly match the Scheme's Technical Provision liabilities.	To outperform the benchmark by 2% pa net of fees
Fruition Fixed +2%	There are two components: • It invests in a portfolio of leveraged nominal gilt funds that have been selected to hedge the interest rate risk of a pension scheme with fixed (non-inflation linked) benefits, a duration of 15.8[1] years and a typical cashflow profile. • It invests in the Managed Growth Fund, which targets a return of 4% p.a. above cash (i.e. SONIA). The above returns are net of investment management costs and are expected to broadly match the Scheme's Technical Provision liabilities.	To outperform the benchmark by 2% pa net of fees
Active Diversifiers Fund	HFRI Fund of Funds Conservative Index[2] (GBP Hedged)	To outperform (net of fees the HFRI Fund of Funds Conservative Index (GBP Hedged)

Active Fixed Income Fund	SONIA	To outperform the benchmark by 2% net of fees

[1] Duration figures as at 31st December 2023

[2] The Hedge Fund Research expect 'conservative' strategies such as Equity Market Neutral, Fixed Income Arbitrage and Convertible Arbitrage to exhibit a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index. A fund in the HFRI FOF Conservative Index should generally show consistent performance regardless of market conditions.

2.2 Cash balances

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

The investment managers are not permitted to hold cash, other than within the funds themselves and also subject to the constraints set by the investment manager

2.3 Other investments

In addition, the Trustees may, from time to time, hold insurance policies or other assets which are earmarked for the benefit of certain members. These may include, for example:

i) Assets secured by Additional Voluntary Contributions (AVCs) or other arrangements made by the Trustees for the benefit of individual members; and

ii) Deferred or immediate annuity policies purchased to match part or all of the Scheme's liabilities.

2.4 Rebalancing arrangements

The Trustees review the balance of the assets on a regular basis, following which amending action may be taken.

3. Fee structure for advisers and managers

An annual budget for all expected costs of the Scheme is prepared at the start of each year. Once approved by Trustees, this is used to monitor and control expenditure of the Scheme on a monthly basis. Variances incurred or expected to be incurred are advised to the Trustees on a monthly basis for their consideration. After each year end, the actual expenditure incurred is reviewed against the budget and any remaining variances are reviewed.

3.1 Advisers

The Trustees' investment advisers are paid for advice received on the basis of the time spent by the advisers. For significant areas of advice (for example one off special jobs, or large jobs, such as asset and liability modelling), the Trustees agree a project budget in advance of the work being undertaken.

These arrangements recognise the bespoke nature of the advice given. No investment decisions are delegated by the Trustees to any adviser.

3.2 Investment managers

For passive mandates, or mandates where the manager is seeking to add incremental value in excess of the performance benchmark, the investment manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice.

Summary of investment management fee arrangements

Manager	Fund	AIL Fiduciary Fee
AIL	Fruition Funds	0.25% pa
AIL	Active Diversifiers Fund	0.50% pa
AIL	Active Fixed Income Fund	0.20% pa

The AIL Fiduciary fees are subject to a minimum fee of £60,000 pa

4. Additional Voluntary Contributions

The Trustees have provided the following investment options for the AVC contributions of members and which were available until the Scheme was closed to new members in May 2001.

i Aviva – With-Profits Fund, Balanced Fund, UK Equity Fund, UK Index Tracker Fund, Deposit Fund and Lifestyle Fund.

ii Utmost Life and Pensions – Automatic Investment Option (Investing by Age strategy).

iii The Prudential Life Assurance Society With-Profits Fund.