



# **W.A. Fairhurst & Partners 1997 Retirement Plan**

## **Statement of Investment Principles**

September 2020

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# 01 Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under the Pensions Act 1995 for the W.A. Fairhurst & Partners 1997 Retirement Plan ('the Plan'). It describes the investment policy being pursued by W.A. Fairhurst Trust Company Limited ('the Trustee Directors' 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 Investment Adviser is XPS Investment ('the Adviser').

The Trustee Directors confirm that, before preparing this SIP, they consulted Fairhurst ('the Partnership') and have obtained and considered written advice from the Investment Adviser. The Trustee believes the Adviser 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 Directors are responsible for the investment of the Plan's assets and arranges administration of the Plan, as governed by the Plan's Trust Deed. Where they are required to make an investment decision, the Trustee Directors seek appropriate advice from the Adviser, as they believe that this ensures that they become appropriately familiar with the issues concerned, and then make a decision on investment strategy taking this advice into consideration.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustee Directors set general investment policy, but delegate the day-to-day investment of the Plan's assets to a professional Investment Manager. The Investment Manager is authorised under the FSMA and provides the expertise necessary to manage the investments of the Plan.

## 01.01 Declaration

The Trustee Directors confirm that this Statement of Investment Principles reflects the Investment Strategy they have implemented and/or intend to implement for the Fund. The Trustee Directors acknowledge that it is their responsibility, with guidance from the Adviser, to ensure the assets of the Fund are invested in accordance with these Principles.

Signed by the Trustee Directors September 2020

Signed

Date

**For and on behalf of the Trustee Directors of the  
W.A. Fairhurst & Partners 1997 Retirement Plan**

## 02 Plan Governance

The Trustee is responsible for the governance and investment of the Plan's assets. The Trustee considers the governance structure set out in this SIP 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 Manager or the Adviser as appropriate. The responsibilities of each of the parties involved in the Plan's governance are detailed in Appendix A.

The Trustee Directors have decided not to appoint an Investment Sub-Committee to deal with investment matters.

# 03 Investment Objectives

The investment objectives of the Plan take into consideration the different members' attitudes to risk as well as the members' investment needs. The investment objectives are:

- To offer members sufficient choice to tailor their investments to their own personal and financial circumstances; and
- To consider the cost and complexity of the Plan in terms of administration and communication.

Based on the structure set out in the Appendix, the Trustee Directors consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in guidelines, agreements and pooled fund documentation with each Investment Manager.

The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through any asset allocation parameters or guidelines set by the Trustee Directors or governing the pooled funds in which the Scheme is invested.

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. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees Director's expectations, including the selection / deselection criteria.

The Trustee Directors encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustee Directors expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided.

This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

As covered in more detail in this document, the Trustee Directors also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee Directors believe these factors could have a material financial impact in the long-term. The Trustee Directors therefore make decisions about the retention of Investment Managers, accordingly.

# 04 Investment Strategy

The Trustee Directors believe, having taken appropriate professional advice, that the investment objectives will be met using two different categories of fund type for the different phases in a typical member's life cycle. These types of funds are termed 'growth' and 'protection' and are expected to offer members sufficient choice for them to meet their own needs. Members can now choose any of three "Growth" funds according to their risk appetite, and the funds offered are shown in Appendix B.

The Trustee Directors recognise that by making these types of funds available, they are offering options to satisfy, in the broadest terms, the reasonable requirements for return and risk combinations of most members (a central aspect of Myners' principles).

The Trustee Directors have determined a default lifestyle strategy, which is broken down into stages. The aim is to build up the fund in the early years then protect its annuity purchasing power as members' retirement approaches. The Trustee Directors recognise that a lifestyle strategy may not be able to protect members against market volatility as a result of which the strategy may not be able to meet the stated intention of protecting members against a level of volatility in the annuity market. Details of the lifestyle strategy are shown in Appendix C.

## 04.01 Liquidity

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All assets are held in asset classes that are sufficiently liquid to be realised if the Trustee or members require (i.e. the underlying investments are traded regularly on a public exchange or invested via units in a pooled fund with frequent dealing dates).

## 04.02 Custody

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Since the assets are held in pooled funds, the Trustee has effectively delegated to the Investment Managers the appointment of custodian of the Plan's investments.

## 04.03 Alignment of Interests

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Based on the structure set out in the Appendix, the Trustee Directors consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in guidelines, agreements and pooled fund documentation with each Investment Manager.

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This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

As covered in more detail in this document, the Trustee Directors also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee Directors believe these factors could have a material financial impact in the long-term. The Trustee Directors therefore make decisions about the retention of Investment Managers, accordingly.

# 05 Monitoring

## 05.01 Investment Managers

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The Trustee Directors will monitor the performance of the Investment Managers against the agreed performance objectives.

The Trustee Directors will regularly review the activities of each Investment Manager to satisfy themselves that the Investment Managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Plan.

As part of this review, the Trustee Directors will consider whether or not each Investment Manager:

- is carrying out its function competently; and
- has been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustee is not satisfied with the performance of any Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustee Directors' requirements, they will remove the Investment Manager and appoint another.

## 05.02 Advisers

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

## 05.03 Other

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



# 06 Fees

## 06.01 Investment Managers

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The Trustee Directors will ensure that the fees charged by Plans and their expense ratios are consistent with levels typically available in the industry for similar Plans. The current fee basis for each of the Plans is set out in Appendix D.

Appointments of Investment Managers are expected to be long-term, but the Trustee Directors will review the appointment of the Investment Managers in accordance with their responsibilities.

The Trustee Directors receive, and consider, regular performance monitoring reports from the Investment Consultant which consider performance over the quarter, one and three year periods. In addition, any significant changes relating to the Trustee Director's selection and deselection criteria that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate.

These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee Directors may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee's meetings as requested.

The Investment Consultant has also carried out a review of how well the Trustee Director's guidelines in relation to ESG factors are incorporated into each Investment Manager's processes and the Trustees will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee Director's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

## 06.02 Advisers

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The Advisers are remunerated on the basis of a fixed annual fee agreed with the Trustee Directors, with fees for specifically defined projects outwith the annual fee being agreed in advance.

## 06.03 Custodian

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There is no custodian appointed directly by the Trustee Directors.

## 06.04 Trustee

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The Trustee Directors are not paid directly for their duties. Their expenses are met and they are given time off from their other employment duties to attend the periodic Trustee Directors' meetings.

# 07 Risks

The Trustee Directors recognise 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 Directors will regularly monitor the investments to mitigate this risk.
- ii. Risk of lack of diversification of investments – addressed through investing in pooled funds with minimum diversification requirements and in different asset classes.
- iii. Risk of holding assets that cannot be easily sold, should the need arise – addressed through the use of pooled funds with frequent dealing dates.
- iv. Underperformance risk – addressed by limiting active management on the part of the diversified fund to making asset allocation decisions, by regular monitoring of performance, by reducing exposure to return-seeking funds following any outperformance and by having more than one manager.
- v. Organisational risk – addressed through the use of pooled funds to reduce governance requirements
- vi. Credit risk – addressed through investing in a pooled fund with limits on the exposure to any one credit and which are focussed on investment grade bonds.
- vii. Sponsor risk – the risk of the Partnership ceasing to exist, which for reasons of prudence, the Trustee Directors have taken into account when setting the asset allocation strategy.
- viii. Environmental, Social and Governance risk – the risk that environmental, social and governance factors are not given significant consideration. This is addressed by having a policy whereby such factors should be given appropriate consideration in relation to current and future investment decisions made.
- ix. Lifestyling risk – the risk that the administration of the Lifestyling process may not be carried out correctly or may result in members pots being smaller than they might have been had they not been in the lifestyle process.

Where members decide to invest outwith the default Lifestyle Fund, the Trustee Directors conclude that the individual members must be responsible for assessing their own risk parameters. The Trustee Directors will keep these risks under regular review.

# 08 Other Issues

## 08.01 Environmental, Social and Corporate Governance Issues

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The Trustee Directors have determined their approach to financially material considerations over the Plan's long term horizon – including environmental, social and corporate governance ("ESG") factors – by acknowledging that there can be risks relating to them. The Trustee Directors have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan's Investment Managers. The Trustee Directors require the Plan's Investment Managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee Directors will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustee Directors, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustee Directors' requirements as set out in this Statement.

The Trustee Directors have delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Investment Managers and encourages them to vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Further, the Trustee Directors' policy is that "non-financial matters" (as defined in the Occupational Pension Schemes (Investment) Regulations 2005, as amended) should not be taken into account in the selection, retention and realisation of investments.

## 08.02 Turnover Costs

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The Trustee Directors require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence. The Trustee Directors do not believe it appropriate to set a specific turnover target or limit, but they expect their Investment Managers to keep turnover to a minimum and be able to justify any turnover in terms of improved performance or reduced risk.

## 08.03 Voting Rights

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For the Scheme's investments in pooled funds, the Trustee Directors acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. The Trustee Directors have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourages them to engage with investee companies and vote whenever it is practical

to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

If the Trustee Directors become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee Director's expectation and the investment mandate guidelines provided, then the Trustee Directors may consider terminating the relationship with that Investment Manager.

# Appendix A

## Responsibilities

### Trustee Directors

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The Trustee Directors of the Fund are responsible for, amongst other things:

- i. Determining the investment objectives of the Fund and reviewing these from time to time.
- ii. Agreeing an investment strategy designed to meet the investment objectives of the Fund.
- iii. Reviewing triennially, or on a change of strategy, the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers.
- iv. 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 Adviser.
- v. Appointing and dismissing Investment Manager(s), the performance measurer, custodian(s) and transition manager(s) in consultation with the Adviser.
- vi. Assessing the ongoing effectiveness of the Advisers.
- vii. Consulting with the Partnership when reviewing investment policy issues.
- viii. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
- ix. Informing the Advisers of any changes to Fund benefits and significant changes in membership.

### Investment Manager

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Each Investment Manager will be responsible for, amongst other things:

- i. At its discretion, but within any guidelines given by the Trustees, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class.
- ii. Providing the Trustees with sufficient information each quarter to facilitate the review of its activities, including:
  - A report of the strategy followed during the quarter.
  - The rationale behind past and future strategy.
  - A full valuation of the assets and a performance summary.
  - Transaction report and cash reconciliation.
  - Corporate actions taken by the Investment Manager.
  - Any changes to the process applied to the portfolio.

- A summary of the engagement activities that have taken place with investee companies, in particular on Environmental, Social and Governance issues.
  - A summary of the voting record of the investment manager over the quarter, highlighting where they have voted against management or abstained, and the reasons for this.
  - Future intentions in the investment management of the Scheme's assets.
- iii. Informing the Trustees immediately of:
- a. Any breach of this SIP that has come to their attention.
  - b. Any serious breach of internal operating procedures.
  - c. Any material change in the knowledge and experience of those involved in managing the Scheme's investments.
  - d. Any breach of investment restrictions agreed between the Trustees and the Investment Manager from time to time.

## Investment Adviser

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

- i. Participating with the Trustee Directors in reviews of this SIP.
- ii. Advising the Trustee Directors how any changes within the Plan's benefits, membership and funding position may affect the manner in which the assets should be invested.
- iii. Advising the Trustee Directors of any changes in the funds that could affect the interests of the Plan.
- iv. Advising the Trustee Directors of any changes in the investment environment that could either present opportunities or problems for the Plan.
- v. Undertaking reviews of the Plan's investment arrangements, including reviews of the asset allocation policy and current pooled Plans, and advising on the selection of new Plans.
- vi. Providing written advice to the Trustee Directors in relation to any investment in or disinvestment from pooled Plans, and in the implementation of integrated risk management policy.

# Appendix B

## Pooled Funds

The Trustee has decided to make the following funds available to members, provided by the Investment Managers, Baillie Gifford and Legal & General Investment Management (“LGIM”). Members can now choose any of three “Growth” funds according to their risk appetite, and as part of the default lifestyling process these will be transferred to the “Protection” funds as shown in Appendix C.

### Growth Funds

Fund	Description	Benchmark	Performance target
Baillie Gifford Managed Pension Fund	Default Fund	CAPS Balanced Pooled Funds Median	To outperform the benchmark by 1.0% to 1.5% p.a. over rolling three-year periods.
Baillie Gifford Global Alpha Pension Fund	“Higher Potential Return, Increased Risk” Fund	MSCI All Countries World Index	To outperform the benchmark by 2.0% to 3.0% p.a. over rolling five-year periods.
LGIM Diversified Fund	“Lower Potential Return, Reduced Risk” Fund	FTSE Developed World Index	To provide long-term investment growth through exposure to a diversified range of asset classes.

### Protection Funds

Fund	Benchmark	Performance target
LGIM Over 15 Year Gilts Index Fund	FTSE UK Gilts Over 15 Years Index	To track the performance of the benchmark within +/-0.25% p.a. for two years out of three.
LGIM Sterling Liquidity Fund	LIBOR	To outperform the benchmark over rolling three-year periods.

# Appendix C

## Lifestyle Funds

The default option is a combination of the Baillie Gifford Managed Pension Fund allied with the Protection engine. In other words, if a member fails to make any choice then their funds would be invested in line with this default strategy.

Irrespective of which Growth engine the member selects, within 10 years of retirement the Protection engine would be automatically activated. This Protection engine is basically the same "life-styling" process as is already available under the Plan.

Over the 10 year period to retirement, a member's fund is gradually transferred to the existing LGIM Gilt and cash funds, in order to eliminate the risk of a drop in equity values or change in annuity rates immediately prior to retirement.

The funds will be transferred as per the matrix below:-:

Age Attained	Growth engine (%)	Long Gilt Fund (%)	Cash Fund (%)
52	100	0	0
53	95	5	0
54	90	10	0
55	85	15	0
56	80	20	0
57	75	25	0
58	60	35	5
59	45	45	10
60	30	55	15
61	15	65	20
62	0	75	25
63	0	75	25



# Appendix D

## Investment manager Fees

The Trustee will ensure that the fees paid to the Investment Managers are consistent with levels typically available in the industry and the nature of services provided. The current fees for the Investment Managers' funds are based on a percentage of the Plan's assets under management.

Fund	Total Expense Ratio
Baillie Gifford Managed Pension Fund	██████
Baillie Gifford Global Alpha Pension Fund	██████
LGIM Diversified Fund	██████
LGIM Over 15 Year Gilts Index Fund	██████
LGIM Sterling Liquidity Fund	██████

The Trustee is aware of each Investment Manager's policy regarding soft commission arrangements. The Investment Managers disclose their fees, commissions and other transaction costs in accordance with the Financial Conduct Authority ('FCA') Disclosure Code.



**Contact us**  
**xpsgroup.com**

**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.

Trigon Professional Services 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).