Telereal Pension Plan

Statement of Investment Principles

September 2020

Contents

Glossary

AVCs	Additional Voluntary Contributions
ESG	Environmental, Social and Governance (including, but not limited to, climate change)
Darwin	Darwin Property Investment Management Limited
ISC	Investment Sub Committee
Lazard	Asset Management (Ireland) Limited
Majedie	Majedie Asset Management Limited
Marathon	Marathon Asset Management LLP
Merian	Merian Global Investors (UK) Limited
Pentagon	Pentagon Capital Management Limited
Plan	Telereal Pension Plan
T. Rowe Price	T. Rowe Price International Ltd
UNPRI	United Nations Principles for Responsible Investment

1. Introduction

This statement is made in accordance with the requirements of legislation[1] and, in determining a suitable investment strategy for the Plan, the Trustees have considered The Pension Regulator's Investment Guidance for defined benefit pension schemes.

The main body of this statement sets out the principles and policies that govern investments made by the Trustees of the Plan. Details of the specific investment arrangements in place are set out in the Appendices.

Upon request, a copy of this statement will be made available to members, the Scheme Actuary and any investment managers used by the Trustees.

---

[1] In particular, the Pensions Act 1995, the Occupational Pensions (Investment) Regulations 2005 and the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

2. Investment Governance Structure

The Trustees are responsible for the investment of the Plan's assets and, in determining how the investment strategy should be implemented, the Trustees take some decisions themselves whilst delegating others. When deciding which decisions to take themselves and which to delegate, the Trustees take into account whether they have the appropriate training and whether they have received the expert advice required to enable them to take an informed decision.

The majority of the Plan's assets are managed by third party investment managers but some of the assets are managed directly by the Trustees (these assets are referred to as the self-managed assets in this statement).

Investment Sub Committee

The Trustees have a desire to manage their investments efficiently and have therefore delegated responsibility for investment decisions to the ISC. Members of the ISC are Carl Clissold and Russell Gurnhill.

Unanimous approval of the ISC members for all investments or divestments is required.

The ISC role is to monitor performance of investments against appropriate benchmarks and to decide/recommend whether another asset class might be appropriate. All decisions to buy new funds or assets will be communicated to all Trustees for approval. Sales decisions will also be notified to the Trustees. The Trustees will have 4 working days to exercise a veto of any proposed acquisition or sale.

Investment Advice

In the preparation and maintenance of this statement and when considering the suitability of any investments, the Trustees will obtain and consider written advice from their investment adviser where such advice is required by legislation.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

- the best interests of the members and beneficiaries;
- security;
- quality;
- liquidity;
- profitability;
- nature and duration of liabilities;
- tradability on regulated markets;
- diversification; and
- use of derivatives

The Trustees are advised on investment matters by First Actuarial LLP. First Actuarial LLP is regulated by the Institute and Faculty of Actuaries and is qualified to provide the required advice through knowledge and practical experience of financial matters relating to pension schemes.

2. Investment Governance Structure (continued)

Legal Advice

Whenever deemed necessary, the Trustees will seek advice from their legal adviser on investment matters.

Employer Consultation

Under legislation, the ultimate responsibility for determining the investment strategy rests with the Trustees. However, the Trustees must consult with the sponsoring employer and consultation must comprise a sharing of views, not simply notification of intent.

Investment Managers and Custodians

Day-to-day management of the majority of the Plan's assets is delegated to third party investment managers.

The investment managers are remunerated on an ad valorem fee basis. This structure has been chosen by the Trustees as representing value for services received. The charges have been negotiated to ensure competitiveness and are reviewed regularly. In addition, the investment managers pay commission to third parties on any trades they undertake in the management of the assets.

To ensure safekeeping of the assets, ownership and day-to-day control of the assets is undertaken by custodian organisations which are independent of the sponsoring employer and the investment managers. The custodians will also perform administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

Where investment managers are used, the investment managers will make the custodian arrangements.

Members' Views and Other Non-Financial Matters

In the relevant regulations "non-financial matters" refers to the views of the members. This includes, but is not limited to, ethical views, views on ESG factors and views on the present and future quality of life for the members.

The Trustees recognise that it is likely that members and beneficiaries will hold a broad range of views. However, the Trustees do not take non-financial matters into account in the selection, retention and realisation of investments. The Trustees will review their policy on whether or not to take account of non-financial matters as appropriate.

The Trustees believe that their duty to members and beneficiaries will be best served by ensuring that all benefits can be paid as they fall due and the Trustees' Investment Objectives are designed to ensure this duty is achieved.

Conflicts of Interest

The Trustees are satisfied that the investment strategy described in this Statement meets their responsibility to invest the assets in the best interests of the members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

3. Investment Beliefs

The investment beliefs stated below have been developed by the Trustees and are reflected in the Plan's investment strategy.

Appropriate Time Horizon

In determining investment objectives and a suitable investment strategy for the Plan, the Trustees take into account an appropriate time horizon. The Trustees believe that an appropriate time horizon will be the period over which benefits are expected to be paid from the Plan.

Risk versus Reward

Targeting higher levels of investment return requires increased levels of investment risk which increases the volatility of the funding position.

Asset Allocation

Long-term performance of the Plan's assets is attributable primarily to the strategic asset allocation rather than the choice of investment managers.

Diversification

Asset diversification helps to reduce risk.

Use of Pooled Funds

Taking into account the size of the Plan's assets, it is expected that pooled funds will often be a practical way of implementing the Plan's investment strategy.

Use of Active Management

Active management has the potential to add value either through offering the prospect of enhanced returns or through the control of volatility. In addition, it is recognised that active management may help to mitigate the financial impact of ESG risks.

For each asset class, the Trustees will consider whether the higher fees associated with active management are justified.

ESG and Other Financially Material Considerations

The Trustees believe that financially material considerations, including ESG factors and the risks related to such factors, can contribute to the identification of both investment opportunities and financially material risks. Consequently, financially material considerations can have a material impact on investment risk and return outcomes.

The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

Assessment of how ESG risks are mitigated will be one of the factors considered by the Trustees when selecting and monitoring investment managers.

Stewardship

The Trustees believe that good stewardship can help create, and preserve, value for companies and markets as a whole.

4. Investment Objectives and Strategy

Defined Benefit Assets – Investment Objectives

The Plan is closed to future accrual and the Trustees' primary investment objectives are:

- to ensure that the assets are sufficient and available to pay members' benefits as and when they fall due;
- to generate an appropriate level of investment returns – to improve the funding position and thereby improve security for members; and
- to protect the funding position – managing the scope for adverse investment experience reducing security for members.

The Trustees' investment approach is designed to strike a balance between the above primary objectives but also considers:

- the nature and timing of benefit payments;
- expected levels of investment return on different asset classes;
- expected levels of investment return variability and, specifically, the expected level of short-term volatility of the funding position;
- the sponsoring employer's ability to withstand additional contribution requirements that may arise from volatility in the funding position; and
- the full range of available investments (within the bounds of practicality).

Defined Benefit Assets – Investment strategy

The Trustees have taken advice from their investment adviser to construct a portfolio of investments consistent with these objectives. In doing so, consideration is given to all matters which are believed to be financially material over the appropriate time horizon.

The Trustees do not take account of non-financial matters when determining the Plan's investment strategy.

AVCs

Some members have historically obtained further benefits by paying AVCs. AVCs are held separately from the Plan's other investments and the AVCs are used to secure benefits on a money purchase basis for members at retirement.

Members select the funds in which their AVCs are invested from a fund range that has been selected by the Trustees. From time to time the Trustees review the ongoing suitability of the AVC arrangements.

The Plan's AVC arrangements are held with Utmost Life and Pensions Limited (transferred from Equitable Life Assurance Society 1 January 2020), Santander UK plc, Royal London Asset Management Limited and AVIVA plc.

5. Use of Investment Managers

Investment Manager Selection

Aside from the self-managed assets, the Trustees delegate the day to day management of the assets, including selection, retention and realisation, to professional investment managers.

When considering the suitability of an investment manager, the Trustees (in conjunction with their investment adviser), will take account of all matters which are deemed to be financially material. In particular, the Trustees will:

- ensure that the investment manager has the appropriate knowledge and experience;
- ensure that the investment manager’s mandate is appropriate; and
- consider the investment manager’s approach to ESG matters.

When selecting investment managers, the Trustees may also take into account non-financially material considerations such as the investment manager’s administrative capabilities and the liquidity of the investments.

Where pooled investment vehicles are used, it is recognised that the mandate cannot be tailored to the Trustees' particular requirements. However, the Trustees ensure that any pooled investment vehicles used are appropriate to the circumstances of the Plan.

The Trustees will normally select investment managers who are signatories to the UNPRI and who publish the results of their annual UNPRI assessment. This principle may be waived if a fund offered by a non-signatory manager is deemed to have investment characteristics which are particularly important for meeting the Trustees' investment objectives.

Manager Implementation

Assets are invested predominantly on regulated markets, as so defined in legislation. Any investments that do not trade on regulated markets are kept to a prudent level.

Use of Derivatives

The investment managers are permitted to use derivative instruments to reduce risk or for efficient portfolio management. Risk reduction would include mitigating the impact of a potential fall in markets or the implementation of currency hedging whilst efficient portfolio management would include using derivatives as a cost-effective way of gaining access to a market or as a method for generating capital and/or income with an acceptable level of risk.

Leverage

The instruments used by the investment managers of Liability Matching Assets may result in the Liability Matching Assets being leveraged. Since these assets are closely aligned to the liabilities, the allocation to Liability Matching Assets (and any associated leverage) reduces the volatility of the Plan’s funding position and therefore reduces risk.

6. Stewardship

The Trustees' policy in relation to the exercise of rights attaching to investments, and undertaking engagement activities in respect of investments, is that they wish to encourage best practice in terms of stewardship.

Where the Trustees invest in pooled investment vehicles, they accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers’ own policies on such matters. It is expected that the majority of the Scheme’s equity exposure will be achieved via pooled funds and, therefore, the Trustees recognise that their ability to directly influence the action of companies is likely to be limited.

Nevertheless, the Trustees expect that each investment manager will discharge its responsibilities in respect of investee companies in accordance with that investment manager’s own corporate governance policies and current best practice, including the UK Stewardship Code.

The Trustees also expect that each investment manager will take ESG factors into account when exercising the rights attaching to investments and in taking decisions relating to the selection, retention and realisation of investments.

When considering the suitability of an investment manager, the Trustees (in conjunction with their investment adviser) will take account of any particular characteristics of that manager’s engagement policy that are deemed to be financially material.

The Trustees recognise that the members might wish the Trustees to engage with the underlying companies in which the Plan invests with the objective of improving corporate behaviour to benefit the environment and society. However, the Trustees' priority is to select investment managers which are best suited to help meet the Trustees' investment objectives. In making this assessment, the Trustees will receive advice from their investment adviser. The Trustees recognise that the investment managers’ own policies are likely to be focussed on maximising financial returns and minimising financial risks rather than targeting an environmental or societal benefit.

7. Investment Manager Arrangements

Where the Plan's assets are invested in pooled funds, the Trustees have limited influence over the investment managers' investment decisions. In practice, investment managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is therefore the Trustees' responsibility to ensure that the approaches adopted by investment managers are consistent with the Trustees' policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies.

The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. The Trustees assess this when selecting and monitoring managers.

The Trustees' policy on selecting, monitoring, evaluating and (where necessary) terminating these arrangements is set out in further detail below.

Compatibility of Investment Managers' Products with the Trustees' Investment Strategy

When selecting an investment Manager's product, the Trustees consider various factors, including:

- the assets that will be held by the investment manager and whether that asset allocation is expected to change over time;
- the risks associated with the investment along with the return that is expected;
- the investment manager's objective and whether that objective is consistent with the performance that the Trustees expect from the investment;
- the fee structure with a view to ensuring that this is reasonable and that it does not provide an incentive for the investment manager to invest in a way that differs from the expectations of the Trustees;
- how frequently underlying investments are expected to be traded by the investment manager;
- how financially material considerations (including ESG factors) over the appropriate time horizon are taken into account by the investment manager;
- the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held; and
- the investment manager's policy in relation to undertaking engagement activities in respect of the investments held*.

**This includes engaging with an issuer of debt or equity regarding matters including (but not limited to) performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, and ESG matters. It also includes engaging on these matters with other investment managers, other holders of debt or equity and persons or groups of persons who have an interest in the issuer of debt or equity.*

7. Investment Manager Arrangements (continued)

After analysing the above characteristics, the Trustees identify how that investment would fit within their overall investment strategy for the Plan and how the investment might be expected to help the Trustees meet their investment objectives.

Duration of Investment Manager Arrangements

The Trustees normally expect that investments will be held for several years.

As part of the periodic strategic asset allocation reviews (which take place at least every three years), the Trustees will review whether the allocation to each asset class remains appropriate and whether additional asset classes should be added.

The Trustees regularly monitor the financial and non-financial performance of the investment managers and details of this monitoring process is set out below. If the Trustees become concerned about the ongoing suitability of an investment, they may reduce exposure to it or disinvest entirely. Such action is expected to be infrequent.

Portfolio Turnover

The Trustees acknowledge that portfolio turnover costs (the costs incurred as a result of the buying, selling, lending or borrowing of investments) can impact on the performance of their investments.

The Trustees do not monitor these costs directly where pooled funds are held and instead rely on their investment adviser to raise any occasion where these costs are expected to have a materially detrimental impact on a manager's ability to achieve its investment objective.

Overall performance, net of portfolio turnover costs, is assessed as part of the regular investment monitoring process. There are no pre agreed benchmarks in place to monitor portfolio turnover costs against, but 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.

8. Risk Mitigation

The Trustees recognise that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause a deterioration in the Plan's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities ("cash flow risk"). The Trustees and their advisers will manage the Plan's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers and on a regular basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees and their advisers considered this risk when setting the Plan's investment strategy.
- The possibility of failure of the Plan's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third- party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk of the Plan's assets falling in value due to failure of the sponsoring employer ("self-investment risk"). To mitigate this risk, legislation imposes a restriction that no more than 5% of a pension scheme's assets may be related to the sponsoring employer. The Trustees do not hold any direct employer-related assets and any indirect exposure is expected to be less than 5% of total assets.
- The risk of ESG factors adversely impacting the value of the Plan's investments ("ESG risk"). The Trustees have considered the likely impact of the financially material ESG risks associated with the Plan's investments and have assessed the mitigation of such risks implemented by investment managers. In making this assessment, the Trustees recognise that, where pooled investment vehicles are held, the extent to which ESG factors will be used in the selection of suitable underlying investments will be determined by the investment managers' own policies on such matters.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Plan's liabilities and having implemented it, the Trustees' policy is to monitor, where possible, these risks periodically.

9. Monitoring

The Trustees regularly review the Plan’s investments for all matters considered to be financially material over the future period for which benefits are expected to be paid from the Plan. This includes reviewing that the assets continue to be managed in accordance with each manager’s mandate and that the choice of managers remains appropriate.

When assessing performance, the Trustees do not usually place too much emphasis on short-term performance although they will seek to ensure that reasons for short-term performance (whether favourable or unfavourable) are understood.

Furthermore, the Trustees regularly monitor the position of the investment managers with regards to ESG matters.

The investment adviser regularly meets with the managers of pooled funds on its approved list.

The Trustees will also regularly assess the performance of the self-managed investments.

10. Future Amendments

This statement will be reviewed at least every three years and without delay after any significant change in circumstances or investment strategy.

The Trustees have consulted with the sponsoring employer as part of the work preparing this statement.

The principles set out in this Statement have been agreed by the Trustees:

Signed:…………………………………………………………… Date: 28/09/2020

For and on behalf of the Trustees of the Telereal Pension Plan.

Appendix 1: The Trustees' Investment Strategy

Strategic Asset Allocation

In determining the strategic asset allocation, the Trustees view the investments as falling into three broad categories:

1. **Growth Assets** – Assets that are expected to deliver long-term returns in excess of liability growth. The use of Growth Assets is expected to deliver a level of investment returns deemed appropriate by the Trustees given the risk involved.

2. **Liability Matching Assets** – Assets with low credit risk (typically investment grade assets) that are expected to react to changes in market conditions in a similar way to the liabilities. The use of Liability Matching Assets is expected to protect the funding position of the Plan.

3. **Hybrid Assets** – Assets that are expected to react to changes in market conditions in a broadly similar way to the liabilities but which are expected to deliver a higher long-term return than investment grade corporate bonds.

In addition, the Trustees will aim to hold sufficient cash to meet benefit and other payment obligations. Cash will normally be held in the Trustees' bank account if it is to be used to make payments due in the short-term whereas cash that is to be held for more than a few weeks may be held in a cash fund.

The Trustees also have access to a liquidity facility supplied by Telereal Services Limited. Use of this facility is permitted where there is a need for short term cash funding. The Plan will not maintain long term borrowing through this facility.

The Trustees will monitor the split of the Plan's assets between the above categories and will aim to keep the allocation within the following tolerance bands:

Category	Target Allocation Tolerance Band
Growth Assets	60%-80%
Liability Matching Assets	0% -20%
Hybrid Assets	10%-30%
Cash	0%-5%

The Trustees will review the strategic asset allocation periodically, and at least every three years, to ensure that the investment strategy remains consistent with the Trustees' funding objectives. As part of such a review, the Trustees will consider the risks associated with the investment strategy. As the Plan matures, it is expected that the allocation to Growth Assets will reduce and the allocation to Liability Matching Assets will increase.

Appendix 1: The Trustees' Investment Strategy (continued)

Investment Strategy Implementation – Growth Assets

The growth assets will be invested in a diversified portfolio of assets including equity and credit instruments.

The trustees will select investment managers to implement the investment strategy and the Trustees will regularly monitor the ongoing suitability of the investment managers to ensure that the mandate remains consistent with the Trustees' objectives and that performance is satisfactory.

At the time of preparing this Statement, the following investment managers were used to implement the Scheme's investment strategy:

Growth Assets	
Investment Manager	**Fund**
Majedie	UK Focus Fund
Marathon	Global Common Contractual Fund
T. Rowe Price	Global Growth Equity Fund
Lazard	Thematic Global Fund
Merian	Local Currency Emerging Market Debt
Pentagon	Sterling Multi Strategy Fund

In addition, the Trustees held a small allocation in Amedeo Air Four Plus Limited.

Investment Strategy Implementation – Liability Matching Assets

Insured Pensioners

The Trustees insure a proportion of the Plan's pensioner and deferred liabilities with Canada Life Assurance Company. These insurance policies will provide a stream of income in respect of named individuals for as long as those individuals remain alive. The income received offsets pension payments made from the Plan.

Other Liability Matching Assets

The Trustees do not currently hold any other Liability Matching Assets but it is expected that investments of this nature will be added as the Plan matures. Liability Matching Assets that could be held include:

- Gilts
- Index-linked gilts
- Sterling denominated investment grade bonds
- Leveraged Liability Driven Investments

Appendix 1: The Trustees' Investment Strategy (continued)

Investment Strategy Implementation – Hybrid Assets

The Hybrid Assets are expected to deliver long term growth but also to generate income. They will typically be invested in property and asset-backed securities.

At the time of preparing this Statement, the following hybrid assets were held:

Property		
Property	**Tenure**	**Area (sq. ft)**
ST ALBANS COMPUTER CENTRE	Free hold	78,458
STECHFORD ATE	Freehold	17,395
NORWICH TEC	Freehold	20,258
SWINDON TEC & MTW	Freehold	22,970
BEMERTON TEC, SALISBURY	Freehold	20,032
YORK TEC/MTW, ASKHAM BRYAN	Freehold	9,236
Great Oaks House	Leasehold	40,523
Asset-Backed Securities		
Name	**ISIN**	**Maturity Date**
Unique Pub Finance 7.395%	XS0096146054	30/03/2024
Unique Pub Finance 5.659%	XS0154960537	30/06/2027

The property portfolio is self-managed by the Trustees.

In addition, the Scheme holds about 4% of total Plan Assets in the Darwin Property Leisure Fund. It is expected that this investment will be fully redeemed within the next 12 months.

Over time, the Trustees may make changes to the investment managers used