World Duty Free Group UK Pension Plan
Statement of Investment Principles

Investment Objective

The Trustee of World Duty Free Group UK Pension Plan ("the Plan") aims to invest the assets of the Plan prudently with the intention that the benefits promised to members are provided. In setting investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Plan's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities. The overall objective has been agreed with the Sponsoring Employer and is as follows:

- ***To manage the investments of the Plan in such a manner as to minimise the risk of being unable to secure fully the liabilities of the Plan whilst maintaining a level of growth assets to address the current deficit in the Plan***

STRATEGY

The Trustee's strategy for achieving its objective is based upon having purchased a bulk annuity contract with Legal and General Assurance Solutions ("LGAS") in March 2013 with the balance of the Plan's assets held in a mixture of growth and liability matching assets. The existing, **planned asset allocation strategy (excluding the bulk annuity policy)** to meet the objective is set out in the table below. The Trustee monitors the actual asset allocation versus the target weights and the ranges set out.

Asset Class	Current Target %	Range %	Trigger 2 %	Trigger 3 %	Trigger 4 %
Growth	**41**		**40**	**30**	**20**
Equities	*21.5*	+/- 5%			
Multi-Asset	*19.5*	+/- 5%			
LDI (Liability Matching)	**59.0**	+/- 5%	**60.0**	**70.0**	**80.0**
Please note figures may not sum due to rounding. Details of the funding level at each trigger can be found in the appendix.					

The Trustee will look for opportunities to dynamically derisk the strategy in order to lock in improvements in the funding level by reducing the level of investment risk in the overall Plan.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 as amended, the Occupational Pension Plans (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

The Plan has invested a portion of its assets into a multi-asset fund portfolio with Aon Investments Limited ("AIL"). Investing in a diversified blend of asset classes and a wide-range of manager styles, the fund seeks capital growth by focusing on strategic asset allocation decisions. This approach also enables the manager the flexibility to take account of changing market conditions by varying the asset allocation. This portfolio along with the equity funds managed by LGIM forms the "growth" part of the assets. A portion of the equity funds are currency hedged to sterling.

The Plan has invested the remaining portion of its assets in a Liability Driven Investment ("LDI") Portfolio. The strategic objective of the LDI portfolio is to provide a hedge against interest rate and inflation risk for the Plan's liabilities as measured using a Gilts + 0.2% discount rate. The current intention is to hedge ~70% of the interest rate and inflation risk associated with the uninsured liabilities. The Pensioner liabilities (as determined for the 2013 transaction) are matched by the Bulk Annuity Policy, hence the LDI portfolio is intended to match the uninsured liabilities using a range of investments such as bonds and swaps.

Special contributions will be invested in the equity, multi-asset and LDI funds in line with the target weightings once any underweight positions have first been addressed. The Trustee may decide to rebalance the Plan's assets taking into account market conditions and recommendations from the investment adviser.

The actual asset allocation will diverge from the planned asset allocation strategy from time to time due to relative market performance, tactical positions, formal investment advice, and other factors.

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Plan, in particular the funding position and the liability profile. The Trustee's policy is to assume that equities will outperform gilts over the long term and that active fund management can be expected to add value. However, the Trustee recognises the potential volatility in equity returns, particularly relative to the Plan's liabilities, and the risk that the fund managers do not achieve the targets set. When choosing the planned asset allocation strategy, the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- the need to consider a full range of asset classes;
- the risks and rewards of a range of alternative asset allocation strategies;
- the suitability of each asset class; and
- the need for appropriate diversification.

In addition, the Trustee also consulted with the Sponsoring Employer when setting this strategy.

Arrangements with Fund Managers

The Trustee monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the fund managers are aligned with the Trustee's policies. This includes monitoring the extent to which fund managers:

- make decisions based on assessments about medium- to long-term financial and non-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 Trustee is supported in this monitoring activity by its investment adviser.

The Trustee receives regular reports and verbal updates from the investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objective and assesses the fund managers over three-year periods. The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by the fund managers, which support the Trustee in determining the extent to which the Plan's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Plan’s fund managers, and requests that the fund managers review and confirm whether their approach is in alignment with the Trustee's policies. Before appointment of a new fund manager, the Trustee reviews the governing documentation associated with the investment and considers the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation for optimum alignment. Where it is not possible to make changes to the governing documentation, for example if the Plan invests in a collective vehicle, then the Trustee may express its expectations to the fund managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the fund managers, and regular monitoring of fund managers’ performance and investment strategy is, in most cases. sufficient to incentivise the fund managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance. Where fund managers are considered to have made decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the fund manager where this is deemed necessary.

There is typically no set duration for arrangements with fund managers, although the continued appointment of all fund managers will be reviewed periodically, and at least every three years.

At present. all Plan investments are held in pooled funds. There are limitations on the influence the Trustee can assert, however if the Trustee has issues with the running of any of the pooled funds (after consultation) it can ultimately choose to disinvest the Plan’s holdings.

Environmental, Social and Governance Considerations

In setting the Plan's investment strategy, the Trustee's primary concern is to act in the best financial interest of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Plan's asset allocation, selecting managers and monitoring performance.

Stewardship – Voting and Engagement

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

The Trustee reviews the suitability of the Plan’s appointed fund managers and takes advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager and seek a more sustainable position, but may ultimately look to replace the manager.

The Trustee reviews the stewardship activities of its fund managers on a regular basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee’s policies to those of the Plan’s fund managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. The Trustee will engage with its fund managers as necessary for more information, to ensure that robust, active ownership behaviours, reflective of their active ownership policies, are being actioned.

The Trustee expects transparency from its asset managers on their voting and engagement activity and, where relevant, to provide a summary of their voting actions on an annual basis. The transparency offered for engagement activity should include the objectives of the engagement action and the ultimate outcome.

From time to time, the Trustee will consider the methods and the circumstances under which it would monitor and engage with a fund manager or other stakeholders. The Trustee may engage with the fund manager and other stakeholders on matters concerning an underlying asset, including performance, strategy, risks, social and environmental impact and corporate governance, capital structure, and management of actual or potential conflicts of interest.

The Trustee's focus remains on understanding the stances of the appointed managers and being satisfied that they are acceptable. To the extent that they are not, the Trustee may enter a dialogue with the manager. If a suitable outcome is not achieved the Trustee may decide to disinvest.

Members' Views and Non-Financial Factors
In setting and implementing the Plan's investment strategy, the Trustee does not explicitly take into account the views of Plan's members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

Costs and Transparency

Understanding Costs

The Trustee is aware of the importance of monitoring the fund managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by its fund managers that can increase the overall cost incurred by their investments.

The Plan has three appointed investment managers. The Trustee collects annual cost transparency reports covering all of its investments and asks the fund managers to provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand what is paid through the fund managers and whether it is aligned with the Plan. The Trustee works with its investment adviser and fund managers to understand these costs in more detail.

The Trustee is supported in its cost transparency monitoring by its investment adviser.

Portfolio Turnover

Targeted portfolio turnover is defined as the expected frequency with which each underlying fund manager's fund holdings change over a year. The Plan's investment adviser monitors this on behalf of the Trustee as part of the manager monitoring it provides and flags any concerns to the Trustee.

The Trustee accepts 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. Transaction costs should be consistent with the asset class characteristics and justified

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

by performance of the mandate. Where the Trustee’s monitoring identifies a lack of consistency the mandate will be reviewed.

Evaluation of Performance and Remuneration

The Trustee assesses the performance of its fund managers through regular reporting and the remuneration of the fund managers on an annual basis by collecting data in line with the CTI templates.

RISK

In setting the Plan's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to cause 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 Trustee and its 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 Trustee and its advisers 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 Trustee (“manager risk”). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk (“risk of lack of diversification”). The Trustee and its advisers considered this risk when setting the Plan’s investment strategy and invest in a range of asset classes and managers to address this. Specifically, the multi-asset fund with AIL invests across a diverse range of assets to assist the Plan in achieving this diversification. This, coupled with the explicit allocation to equities and LDI, achieves a diverse mix of investments.
- The possibility of failure of the Plan’s Sponsoring Employer (“covenant risk”). The Trustee and its advisers considered this risk when setting the 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 Trustee has 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 chosen bulk annuity provider becoming insolvent.
- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the Plan’s asset allocation, selecting managers and monitoring performance.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews. In particular, the mismatching risk was modelled explicitly as part of the most recent investment strategy review.

Having set an investment objective which relates directly to the Plan’s liabilities and implemented it using a range of fund managers, the Trustee’s policy is to monitor, where possible, these risks quarterly. The Trustee receives quarterly reports showing:

- actual funding level versus the Plan’s specific funding objective;

- performance versus the Plan’s investment objective;
- performance of individual fund managers versus their respective targets; and
- any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

IMPLEMENTATION

The structure and investment objectives for each fund manager (“mandates”) are as follows:

Legal & General Investment Management ("LGIM") **Factor Based Equity Fund** The objective is to achieve returns in line with SciBeta Developed Low-Carbon & ESG HFI Multi-Beta Maximum Deconcentration Index (net of fees) and the SciBeta Developed Low-Carbon & ESG HFI Multi-Beta Maximum Deconcentration Index (net of fees), hedged to GBP.
Aon Investments Limited ("AIL") **Aon Managed Growth Strategy** The objective is to achieve a return of three-month LIBOR plus 4% per annum.
Legal and General Assurance Society ("LGAS") **Bulk annuity policy** The objective of the bulk annuity policy is to provide benefit payments to all pensioners retiring before 19 February 2013.
Insight Investment Management (“Insight”) **Liability Driven Investment** The objective is to match the Plan's non-insured liabilities.

Aon Solutions UK Limited ("Aon") has been selected as investment adviser to the Trustee. Aon operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions themselves and to monitor those it delegates. This includes monitoring performance of all mandates and is separate to AIL which is responsible for managing the Managed Growth strategy. Aon is paid on a time cost basis for all the work it undertakes for the Plan, although fixed fees may be negotiated by the Trustee for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager through a written contract. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Plans (Investment) Regulations 2005 (regulation 4). The managers’ duties also include:

- taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments; and
- voting and corporate governance in relation to the Plan's assets.

The Plan's assets with LGIM, AIL and Insight are in pooled funds.

GOVERNANCE

The Trustee is responsible for the investment of the Plan's assets. The Trustee takes some decisions itself and delegates others, taking account of whether it has the appropriate training and expert advice in order to take an informed decision.

The Trustee has ultimate responsibility for decision-making on investment matters. To ensure that such decisions are taken effectively, the Trustee may use other bodies either through direct delegation or in an advisory capacity. These groups may include:

- Investment Committee
- Investment Managers
- Custodian
- Investment Adviser
- Scheme Actuary

Each group has a range of responsibilities which have been agreed by the Trustee.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, for example the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals (normally annually). These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments, the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s). The written advice will consider the issues set out in the Occupational Pension Plans (Investment) Regulations 2005 and the principles contained in this statement.

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The fund managers are remunerated on an ad valorem basis where their fees increase/decrease as the assets they manage for the Plan increase/decrease. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

Appropriate arrangements are made by the fund managers for the custody of the assets of the pooled funds in which the Plan invests. The custodian provides safekeeping for all the Plan's assets and performs administrative duties such as the collection of interest and dividends, as well as dealing with corporate actions such as rights issues.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Date: 25th September 2020

Signed on behalf of the Trustee of World Duty Free Group UK Pension Plan

Appendix – Funding Level Triggers

This appendix sets out the funding level trigger (on a gilts+0.2% basis) in force for the Plan, which results in the Plan de-risking as the funding level improves. The expectation is that the trigger points will be reviewed in conjunction with the next formal valuation of the Plan as at 5 April 2020, after which it is anticipated that further trigger points will be provided. Please note trigger 1 has been reached and is the basis for the current asset allocation.

Valid from	Valid to	Funding Level based on agreed measure of the liabilities (%)			
		Trigger 1	Trigger 2	Trigger 3	Trigger 4
1-Oct-18	4-Apr-19	87.7%	90.8%	94.1%	97.8%
5-Apr-19	30-Sep -19	87.9%	91.0%	94.1%	97.8%
1-Oct-19	4-Apr-20	89.0%	92.0%	95.1%	98.9%
5-Apr-20	30-Sep -20	89.3%	92.1%	95.1%	98.9%
1-Oct-20	4-Apr-21	90.4%	93.2%	96.1%	100.0%
5-Apr-21	4-Apr-22	91.1%	93.7%	96.5%	100.0%
5-Apr-22	4-Apr-23	91.8%	94.3%	96.8%	100.0%
5-Apr-23	4-Apr-24	92.5%	94.8%	97.2%	100.0%
5-Apr-24	4-Apr-25	93.2%	95.3%	97.5%	100.0%
5-Apr-25	4-Apr-26	93.9%	95.8%	97.8%	100.0%
5-Apr-26	4-Apr-27	94.6%	96.3%	98.1%	100.0%
5-Apr-27	4-Apr-28	95.2%	96.8%	98.3%	100.0%
5-Apr-28	4-Apr-29	95.9%	97.3%	98.6%	100.0%
5-Apr-29	4-Apr-30	96.7%	97.8%	98.9%	100.0%
5-Apr-30	4-Apr-31	97.4%	98.3%	99.1%	100.0%
5-Apr-31	4-Apr-32	98.2%	98.8%	99.4%	100.0%
5-Apr-32	4-Apr-33	99.1%	99.4%	99.7%	100.0%
5-Apr-33	4-Apr-34	100.0%	100.0%	100.0%	100.0%

Note: An email will also be sent when the funding level is within 0.5% of breaching the relevant trigger (this is known as a "pre trigger" breach).