

R.E. BATH TRAVEL SERVICES LTD RETIREMENT BENEFITS SCHEME

Statement of Investment Principles (SIP)

(September 2019)

Introduction

This document provides details of the investment principles adopted by the Trustees in relation to the Scheme. The sponsoring employer is Hays Travel Ltd. The sponsoring employer has been consulted in the drafting of this document.

This SIP has been drafted in order to demonstrate how the Trustees comply with the requirements of legislation; including Section 35 of the Pension Act 1995, The Occupational Pension Schemes (Investment) Regulations 2005, The Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

The Trustee's investment responsibilities are governed by the Scheme's Trust Deed and Rules and this SIP takes full regard of its requirements.

In drafting this SIP, the Trustees also considered the 2001 Myners review of institutional investment and guidance issued by the Pensions Regulator.

The Trustees will review this SIP at least every three years to ensure that it remains accurate and relevant. The SIP will be reviewed and, if necessary, amended more frequently should any material changes be made to the Scheme's investment arrangements.

A copy of this SIP is available for inspection by Scheme members.

Governance

The Trustees sets the general investment policy, based on professional advice. The Trustees delegate responsibility for day to day investment decisions to their appointed investment managers. The Trustees ensure that any person to whom such responsibility is delegated is authorised under the Financial Services and Markets Act 2000. A copy of this Statement will be provided to the investment manager.

The Trustees investment policy takes into account the Schemes investment objectives and the Scheme's circumstances. The Trustees are responsible for making strategic investment decisions with the aim of achieving these objectives. The Trustees ensure that this SIP remains appropriate for the Scheme's liabilities and circumstances, given the strength of the support provided by the sponsoring employer.

The Trustees are responsible for appointing investment managers and investment advisers and will monitor the investment returns.

The appointed investment advisers are responsible for providing authorised advice on an appropriate investment strategy, taking into account the Trustee's investment objectives and risk-appetite. The investment advisers will provide advice to the Trustees on the choice of investment managers and will alert the Trustees to any significant changes at the investment managers.

The investment managers will have regard to this SIP and the Trustees' objectives. They will also have regard for the need for diversification, quality and liquidity within the investment portfolio. The investment managers will provide the Trustees with regular statements on the performance of the fund's and assets under management, together with comparable figures from benchmark indices.

Investment Objectives and Beliefs

The main objectives of the Trustees are:

- To ensure that the Scheme's obligations to the members and beneficiaries can be met;
- To provide benefits in full as they fall due;
- To reduce the dependency of the Scheme to investment returns over the long-term;
- To pay due regard to the sponsoring employer's requirements in relation to its plans for managed growth and the size and timing of the contribution payments it is able and willing to pay.

The Trustees wish to achieve, and then maintain, a funding level of at least 100% on an ongoing basis through the adoption of a prudent funding and investment strategy, which takes into account the strength of the covenant of the sponsoring employer.

As the funding position of the Scheme improves, the Trustees aim to gradually reduce the level of investment risk taken so that over the longer term there is minimal investment risk and the funding position remains stable.

The Trustees' investment beliefs are:

- Some risk is necessary to achieve the returns necessary;
- Unrewarded risks should be generally avoided, hedged or diversified;
- Well governed companies that manage their businesses in a responsible way will produce higher returns over the long-term;
- Climate change could be a long-term risk for the Scheme and may have an impact upon the chosen investment strategy;
- Responsible investment and engagement over the long-term reduces risk and may have a positive impact upon returns.

Risk Management

The Scheme is exposed to a number of risks. The Trustees', and their advisers, have due regard for the following risks when devising and implementing their investment strategy.

- Any mismatch between the Scheme's assets and liabilities.

- The short-term volatility in the Scheme’s funding position as a result of holding higher risk investments.
- Lack of diversification and liquidity.
- Volatility in the sponsoring employer’s contribution rate.
- Safe custody of the Scheme’s assets.
- Market risk.
- Political risk.
- Counterparty risk.

These risks are monitored, mitigated as far as possible and/or diversified by the Trustees and their advisers. Investment risks are regularly reviewed by the Trustees as part of the ongoing governance structure of the Scheme.

Current Investment Strategy

The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, alternatives, and annuity policies. The Trustee monitors any employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this exceeds 5% of the portfolio.

The current asset allocation is:

Manager	Fund	Allocation	Benchmark	Objective
Scottish Widows	Managed Fund	100%	Mixed Investment 40-85% Shares	To provide a long-term total return through investment in a range of asset classes in any geographical area.

The asset allocation was correct at the time of drafting this SIP. The allocation may change over time as a result of market movements or disinvestments. The Trustees will review the asset allocation and may change those shown in the above table in light of periodic actuarial valuations. The Trustees will also review the choice of investment manager at least every three years. Any changes to the strategy or investment managers will be made only after obtaining written investment advice and consulting with the sponsoring employer.

The Trustees expect that the long term average will be in line with the assumptions used to measure the Technical Provisions in the Scheme Actuary’s valuation. As at September 2019, the relevant assumptions were:

- Pre-retirement - gilt yield plus 1.5%pa
- Post-retirement – gilt yield plus 0.5%pa

The Trustees' policy is to evaluate the investment manager by reference to the manager's performance (over short, medium and longer-term periods), the role it plays in helping to meet the objectives of the Plan as set out in this statement, and the fees paid to the manager.

Trustees' Policy on Financially Material Considerations including Environmental, Social and Governance (ESG)

The Trustees believe that good corporate stewardship and ESG issues may have a material financial impact on investment returns. The Trustees have given the investment managers full discretion when considering ESG issues, exercising voting rights and engagement activities in connection with the Scheme's investments. The extent to which Financial Material Considerations and ESG factors are taken into account by the investment managers is considered by the Trustees when selecting organisations with which to invest. The Trustees will request information on these matters from investment managers.

The Financial Reporting Council's UK Stewardship Code has been taken into account by the Trustees. (The Trustees do not take any non-financial matters into account in the selection, retention and realisation of investments).

The Scheme's voting rights are exercised by the investment managers in accordance with their own corporate governance policies, current best practice and the UK Corporate Governance Code and the UK Stewardship Code. The Trustee expects its Investment Managers, to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns. The Trustees reserve the right to request details about the votes exercised on their behalf by the investment managers.