Statement of investment principles for the Hammerson Group Management Limited Pension and Life Assurance Scheme

July 2020

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Hammerson Group Management Limited Pension and Life Assurance Scheme ("the Trustees") on various matters governing decisions about the investments of the Hammerson Group Management Limited Pension and Life Assurance Scheme ("the Scheme"), a Defined Benefit ("DB") Scheme. This SIP replaces the previous SIP dated September 2019.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act") the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) and the Pensions Regulator's guidance for defined benefit pension schemes (2019).

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP. The Trustees have consulted with the relevant employer in producing this SIP.

The Trustees will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, or in the demographic profile of the relevant members, and at least once every three years.

Appendix 1 sets out details of the respective key responsibilities of the Trustees, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.

2. Investment objectives

The Trustees' primary objective is to ensure that the Scheme should be able to meet benefit payments as they fall due. A secondary objective is that the Scheme should be fully funded (ie the asset value should be at least that of its liabilities). The Trustees are aware that there are various measures of funding, and have given due weight to those considered most relevant to the Scheme.

The Trustees' investment objective is to maximise the return on the Scheme's assets whilst managing and maintaining investment risk at an appropriate level, and taking into account the primary objective.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the relevant employer, reviewed the investment strategy at the start of 2020, considering the objectives described in Section 2 above.

The result of the review was that the Trustees agreed that the investment strategy of the Scheme would consist of a Matching Portfolio and a Growth Portfolio. The Growth Portfolio will consist of the allocation as shown in the table below.

Growth portfolio Asset class	Minimum (%)	Central (%)	Maximum (%)
Diversified Growth	**65**	**70**	**75**
Equities	**25**	**30**	**35**
Total	**100**	**100**	**100**

The Trustees agreed to adopt the tolerance ranges of + / - 5% around the Growth Portfolio's strategic allocations of 70% in diversified growth and 30% in equities. These ranges are designed to provide guidance only.

Within the Growth Portfolio, the Trustees will maintain a broadly equal split between the Scheme's diversified growth mandates (ie c.35% each), and also separately between its equity mandates (ie c.15% each).

Within the Matching Portfolio the Trustees have an allocation to a pooled liability driven investment ("LDI") fund and a pooled liquidity fund.

The LDI fund uses leverage to give greater exposure to changes in interest and inflation rates than is possible with an unleveraged approach. Other LDI funds are expected to be added over time as the Matching Portfolio allocation increases.

The liquidity fund is intended to be used to assist with the management of collateral which is a result of using leveraged LDI funds. The Trustee aims to maintain an approximate 80:20 split between the LDI fund(s) and the liquidity fund respectively.

Over the period to 2029, the Trustees expect to make further allocations to the Matching Portfolio, from sponsor contributions and disinvestments from the Growth Portfolio. The Trustees have not adopted a formal policy in this regard, but will monitor the Scheme's portfolio's from time to time and will consider, with their advisers and where required in consultation with the Sponsor, whether it is appropriate to rebalance the assets, considering factors such as market conditions and anticipated future cash flows. For example, the Trustees may decide to add further allocations to the Matching Portfolio after a period of interest rate rises. Considerations made in determining the investment arrangements

When deciding how to invest the Scheme's assets, the Trustees consider several risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

The Trustees considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes. The key financial assumptions used in determining the investment arrangements within the Growth Portfolio are that equity-type investments and diversified growth funds will, over the long term, outperform gilts by 5.0% pa and 3.0% pa respectively.

In setting the strategy the Trustees also considered:

- the Scheme's investment objectives, including the target return required to meet the Trustees' investment objectives;
- the Scheme's cash flow requirements in order to meet benefit payments in the near to medium term;
- the best interests of members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cash flows, the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies;
- the need for appropriate diversification between different asset classes;
- the views of the employer;
- any other considerations which the Trustees consider financially material over the time horizon that the Trustees consider is needed for the funding of future benefits by the investments of the Scheme;
- the Trustees' investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes;

- environmental, social and governance (ESG) factors, which may be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors; and
- long-term environmental, social and economic sustainability, which is one factor that trustees may consider when making investment decisions.

4. Implementation of the investment arrangements

When investing in any manner, the Trustees obtain and consider written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in Appendix 3.

The Trustees have signed agreements with the investment managers, setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustees have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice 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 the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their 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. They assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

5. Realisation of investments

The investment managers have discretion over the timing of realisation of investments within the portfolios that they manage, and in considerations relating to the liquidity of investments. As the assets are held in a combination of pooled funds, they are expected to be fully and readily realisable.

When appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. Disinvestments of under £250,000 are dealt with solely by the administrators after seeking advice from the Trustees' investment advisers, and do not require the direct involvement of the Trustees.

6. Financially material considerations and non-financial matters

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustees expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustees seek to appoint managers that have appropriate skills and processes to do this, and from time to time review how their managers are taking account of these issues in practice.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

7. Voting and engagement

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries. The Trustees have limited influence over managers' stewardship practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

SIP signed for and on behalf of the Trustees of the Hammerson Group Management Limited Pension and Life Assurance Scheme:

Signed: ____

Responsibilities, decision-making and fees

The Trustees have decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, and their view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service. The Trustees' investment powers are set out within the Scheme's governing documentation.

1. Trustees

In broad terms, the Trustees are responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the relevant employer;
- reviewing the investment policy as part of any review of the investment strategy;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- setting the policy for rebalancing between asset classes;
- appointing, monitoring, reviewing and dismissing investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the relevant employer when reviewing the SIP.

2. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- providing the Trustees with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustees or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustees in reviews of this SIP.

4. Fee structures

The Trustees recognise that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustees have agreed Terms of Business with the Scheme's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers. See also Section 5 of the SIP.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Scheme. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

5. Performance assessment

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time.

Policy towards risk, risk measurement and risk management

The Trustees consider that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

1. Risk of inadequate returns

A key objective of the Trustees is that, over the long-term, the Scheme should have adequate assets to meet its liabilities as they fall due. The Trustees therefore invest the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been considered in setting the investment strategy and is monitored by the Trustees on a regular basis.

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustees believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Scheme's investment arrangements.

3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. When appointing an investment manager, the Trustees receive written advice from a suitably qualified individual, and may undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis.

4. Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular to those contracts that are traded directly between parties, rather than traded on a central exchange.

BMO makes use within its LDI fund range of derivative and gilt repos contracts. Counterparty risk is managed within the fund through BMO's initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements

5. Marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustees are aware of the Scheme's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments.

6. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf and from time to time review how these risks are being managed in practice.

6. Credit risk

This is the risk that a borrower will cause a financial loss for the other party by failing to meet required payments for a contractual obligation.

The Scheme is indirectly exposed to credit risks arising from the Scheme's investments in diversified growth funds. The managers of these pooled funds manage this credit risk on the Trustees' behalf.

7. Equity risk

Equity represents (part) ownership of a company. Equity risk is the risk that the value of this holding falls in value.

The Trustees believe that equity risk is a rewarded investment risk, over the long term.

The Trustees consider exposure to equity risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

8. Currency risk

The Scheme is subject to currency risk because some of the pooled funds that the Scheme invests in do and may have investments held in overseas markets. For example, the Global Equity Market Weights (40:60) Index Fund and the Diversified Multi-Factor Equity Fund, managed by Legal & General, have material exposure to overseas equity markets. Legal & General and BlackRock's diversified growth funds may also have an exposure to overseas markets that will change over time as the managers' active decisions change. The Trustees believe that the currency exposure that exists diversifies the strategy and is appropriate.

9. Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in a pooled liability driven investment ("LDI") fund. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities.

The Trustees aim to hedge a proportion of the Scheme's exposure to interest rate risk and inflation risk, by investing in leveraged LDI arrangements managed by BMO. The Trustees have a plan in place to gradually increase the level of hedging over time, however, have adopted no formal policy for doing so. Instead the Trustees will look to increase the level of hedging based on available sponsor contributions and professional advice.

The net effect of the Trustees' approach to interest and inflation risk will be to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to manage exposures to these risks in this manner and to review them on a regular basis.

In addition, the Scheme's diversified growth funds may have some sensitivity to changing interest rates, but this sensitivity will vary over time as the underlying investments change, and it is not expected to be a significant driver of returns from the investment approaches of these funds.

10. Other non-investment risks

The Trustees recognise that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this general risk.

Investment manager arrangements

Details of the investment managers, their objectives, investment guidelines are set out below.

1. BlackRock – Diversified growth fund

The Scheme invests with BlackRock through a pooled fund called the BlackRock Dynamic Diversified Growth Fund. The objective of this fund is to outperform the return of the three month Libor rate by 3% pa, after the deduction of fees, over rolling three-year periods with a lower volatility than equity-type instruments.

The fund is priced daily. The fund is open-ended and is unlisted.

The Scheme pays an AMC of 0.55% on its investments in the fund.

The Scheme made its initial allocation to BlackRock on 9 September 2011.

2. Legal & General

The Scheme invests in three Legal & General pooled funds. The Scheme made its initial allocation to Legal & General on 9 June 2016.

2.1. Legal & General – Diversified growth fund

The Scheme invests with Legal & General through a pooled fund called the Legal & General Diversified Fund. The objective of this fund is to provide a similar rate of return to that from developed market equities over the long-term. Legal & General has suggested an equivalent target is to outperform the “risk free rate” (e.g. cash) by 3.5% pa, before the deduction of fees. The fund has a target volatility of two-thirds of that of a global equity portfolio.

The fund is priced weekly. The fund is open-ended and is unlisted.

The Scheme made its initial allocation to this fund on 9 November 2017.

2.2. Legal & General – Passive global equity fund

The Scheme invests with Legal & General through a pooled fund called the Legal & General Global Equity Market Weights (40:60) Index Fund. The objective of this fund is for its UK and overseas components to track their respective index to within +/-0.25% per annum for two years out of three.

The fund is priced daily. The fund is open-ended and is unlisted.

The Scheme made its initial allocation to this fund on 9 June 2016.

2.3. Legal & General – Multi-factor equity fund

The Scheme invests with Legal & General through a pooled fund called the Legal & General Diversified Multi-Factor Equity Fund. The objective of the Fund is "to provide long-term investment growth by investing in a diversified mix of global equites and providing exposures to multiple equity risk factors".

For performance comparison purposes, LGIM has opted not to use a single standard global equity index as a comparator. Instead, it uses a blend of regional market-capitalisation weighted equity indices that broadly reflects the regional allocation of the Fund and the currency hedging undertaken. This isolates the impact of adopting a multi-factor approach versus a market-capitalisation approach for stock selection.

The fund is priced weekly. The Fund is open-ended and unlisted.

The Scheme made its initial allocation to this fund on 9 June 2016.

3. BMO

The Scheme invests in two BMO pooled funds. The Scheme made its initial allocation to BMO on 19 June 2020.

3.1. BMO – Dynamic LDI portfolio

The Trustees have selected BMO Global Asset Management Limited ("BMO") as the investment manager for the Scheme's dynamic LDI portfolio and liquidity assets.

Within the dynamic LDI portfolio, the Scheme currently invests only in the Real Dynamic LDI. BMO's primary investment objective for the Dynamic LDI fund range is to hedge a portion of the Scheme's liabilities against changes in interest rates and inflation expectations. BMO will use different instruments (swaps and gilts) based on the relative attractiveness of each.

The Scheme made its initial allocation to Real Dynamic LDI on 6 June 2020.

3.2. BMO Sterling Liquidity Fund

The Trustees have selected BMO for the Scheme's liquidity portfolio. The objective of this fund is to provide a vehicle that will maintain high levels of liquidity and generate a return in line with money market interest rates. The performance of the fund will be benchmarked against the GBP 7-Day LIBID rate.

The Scheme made its initial allocation to this fund on 6 June 2020.

Scheme performance monitoring

The Trustees will consider how they monitor the performance of each of the investment managers stated above in the context of the Scheme's own objectives.

Additional Voluntary Contributions

The Trustees have selected Prudential as the Scheme's money purchase AVC provider.