Redrow Staff Pension Scheme

Statement of Investment Principles

Investment objective

The Trustees invest the assets of the Scheme with the aim of ensuring that all members' accrued benefits can be paid. The Scheme's funding target is specified in the Statement of Funding Principles, and the Scheme's funding position will be reviewed annually to assess the position relative to the funding target and whether the investment policy remains appropriate to the Scheme's circumstances.

The Scheme's present investment objective is to achieve a return of around 2.7% per annum above the return on UK Government bonds (which are considered to move in a similar fashion to the calculated value of the Scheme's liabilities). The following indices are used to represent the return of long dated UK Government bonds: 90% FTSE-A Index Linked Over 15 Year Index and 10% FTSE-A Over 15 Year Gilt Index.

Investment strategy

The Scheme's present strategy is to invest according to the following broad asset allocation:

Asset Class	Proportion %	Expected Return[1] (relative to UK Government bonds) %	Control Ranges[2] %
Diversified Multi-Asset	70	3.8	+/-5
Liability Driven Investment ("LDI")	30[3]	0.0	+/-5
Total	100	2.7	

Note: [1] Net of investment management fees. Expected returns are based on best estimate assumptions (not allowing for manager outperformance) as at 30 June 2019 (the date at which the Trustees carried out the Scheme's Investment Strategy Review). [2]The control ranges are for guidance only. [3] Economic exposure will be greater due to leverage.

The expected returns shown in the above table represent long-term expectations of asset classes as a whole. Where the Scheme has appointed "active" Investment Managers, their objective is to outperform the market average. Short-term returns in some asset classes may exhibit considerable variability.

The Scheme's investment strategy was derived following careful consideration of the factors set out in Appendix 2. The considerations include the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required to fund the Scheme, and also the strength of the sponsor's covenant. The Trustees considered the merits of a range of asset classes, including various "alternative assets", which are expected to be incorporated in the Diversified Multi-Asset mandate.

The Trustees recognise that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities.

This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in a suitably diversified portfolio of assets (with the aim of minimising, as far as possible, volatility relative to the liabilities) which are expected to perform in excess of the liabilities over the long term, and also by investing in an LDI mandate which aims to hedge a proportion of the interest rate and inflation risk inherent in the Scheme's liabilities. The assets of the Scheme consist predominantly of investments admitted to trading on regulated markets.

Investment mandates

The Trustees have appointed two Investment Managers to manage the assets of the Scheme – their mandates are detailed below. Both of the Investment Managers are regulated under the Financial Services and Markets Act 2000.

Investment Manager	Asset Class	Proportion %	Control Ranges[1] %
Barclays Bank PLC ("Barclays")	Diversified Multi-Asset	70	+/-5
Legal & General Investment Management ("L&G")	LDI	30	+/-5

[1]The control ranges are for guidance only.

The Trustees monitor the overall allocation between the Investment Managers on a quarterly basis and take any corrective action, as they see appropriate. Rebalancing will be effected by cashflows, where possible, to avoid unnecessary transaction costs. The transfer of assets/cash between Investment Managers will be used to rebalance where cashflow is insufficient.

Barclays
The Scheme invests in a discretionary growth mandate with Barclays by investing in a bespoke Diversified Multi-Asset portfolio. Barclays have the discretion to manage their portfolio in order to meet their performance objectives, by investing in a wide range of asset classes, including (but not limited to); equities, commodities, property, credit, fixed income, alternative asset classes and cash. Exposure to these asset classes can be accessed in various ways, including the use of pooled vehicles, individual securities and derivatives instruments. Barclays' performance objective is defined in terms of both target return and target volatility; specifically to achieve a return of cash + 3.5% p.a. net of fees with a volatility of 7.5% p.a., over a 3 year period. Barclays' mandate is subject to investment guidelines, including asset class ranges, liquidity and currency exposure. Full details of the investment guidelines are detailed in Schedule 1 of the Investment Management Agreement for Barclays.

L&G
The Scheme invests in several LDI Funds with L&G. L&G are to invest in a range of leveraged gilt and index-linked gilt funds (Matching Plus Fund Range) that aim to hedge a proportion of the interest rate and inflation risk inherent within the Scheme's liabilities.

Fund	Proportion of LDI mandate (%)
FAAN - 2049 Leveraged Gilt Fund	5.8
FAAP - 2055 Leveraged Gilt Fund	1.4
FAAR - 2060 Leveraged Gilt Fund	6.3
FABN - 2068 Leveraged Gilt Fund	10.2
FABX – 2034 Leveraged Index-Linked Gilt	5.7
FAAW – 2037 Leveraged Index-Linked Gilt	8.5
FAAY – 2042 Leveraged Index-Linked Gilt	11.8
FAAZ – 2047 Leveraged Index-Linked Gilt	10.0
FABA – 2050 Leveraged Index-Linked Gilt	5.3
FABB – 2055 Leveraged Index-Linked Gilt	20.1
FABC – 2062 Leveraged Index-Linked Gilt	9.1
FABM – 2068 Leveraged Index-Linked Gilt	5.8

Source: L&G
Note: Weighting reflective of when the LDI mandate was fully implemented on 21 September 2018.

The allocation of the Funds will vary according to market movements and the implementation of any cashflow. The portfolio is not rebalanced (except as may be directed by the Trustees) as over time it is expected that the assets will move broadly in line with the change in the calculated present value of the Scheme's liabilities.

The gilt and index-linked gilt funds use leverage. Leverage relates to the amount of economic exposure a portfolio has relative to the assets actually invested. In this respect it is possible to hedge a greater proportion of liabilities than physical assets committed. The degree of leverage and collateral management is closely monitored by L&G.

Delegation of day-to-day management

All decisions about the day-to-day management of the assets have been delegated to the Investment Manager via a written agreement. This delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees take Investment Managers' policies in the above respects into account when selecting and monitoring managers. The Trustees also take into account the performance targets upon which the Investment Managers are evaluated. The Investment Managers are expected to exercise their powers of investment delegated to them with a view to following the principles contained within this statement, so far as reasonably practicable.

Each Investment Manager's remuneration is based upon a percentage value of the assets under management. Please see details in Appendix 1.

As the Scheme's assets with L&G are invested in pooled vehicles, the custody of the holdings is arranged by the Investment Manager. Given the discretionary mandate employed with Barclays, Barclays are delegated responsibility by the Trustees to appoint a custodian. The custodian provides safeguarding for the assets, and performs all associated administrative duties such as the collection of dividends.

Investment Manager Monitoring, Engagement & Stewardship

The Trustees monitor and engage with the Scheme's Investment Managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement are where the Trustees determine that:
Performance, Strategy and Risk	• The Trustees receive a quarterly performance report which details information on the underlying investments' performance and strategy which are considered at the relevant Investment Sub-Committee (ISC) meeting. • The Scheme's Diversified Multi-Asset Investment Manager (Barclays) attends each ISC meeting, either via conference call or in person, to present to the Trustees on their performance, strategy and risk exposures. • The Trustees will monitor overall risks within wider strategy reviews as required, upon advice from appointed investment advisers.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustees do not currently have any policies in place. These will be established as the Trustees' policy on the matter evolves.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustees' policies in this area.

Through the engagement described above, the Trustees will work with the Investment Managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustees will review the relevant Investment Manager's appointment.

Employer-related investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case the total exposure to employer-related investments will not exceed 5% of the Scheme's total asset value. The Trustees will assess this at least annually to ensure compliance.

Direct Investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an Investment Manager through a written contract. These include the pooled vehicles available for members' AVCs contributions. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Governance

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of Investment Managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers, Isio, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

The Trustees have an Investment Sub-Committee to monitor the operation of the Scheme's investment strategy, and facilitate discussions to ensure the smooth running of the Scheme. The Investment Sub-Committee has been established in order to ensure continual input from the Company.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring employer and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy.

Date: September 2020

Appendix 1 – Investment Manager Fees

The Investment Managers' remuneration is based upon a percentage value of the assets under management. The fees agreed with the Investment Managers at the inception of their mandates are as follows:

Barclays

Fee type	Fee (p.a.)
Base fee on total Scheme assets invested with Barclays	0.52%

L&G

Matching Plus Funds (leveraged gilts and index-linked gilts)

The base fee on total Scheme assets invested which has the following tiered fee structure depending on value of assets held.

	Fee (p.a.)
On the first £25m	0.24%
Balance over £25m	0.17%

Appendix 2 – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below. All risks within this Appendix are considered to be relevant over the lifetime of the Scheme's existing investment strategy in the context of the Trustees' current objectives.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	**Definition**	**Policy**
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	**Definition**	**Policy**
Interest rates and inflation	The risk of mismatch between changes in the value of the Scheme assets and present value of liabilities due to changes in interest rates and inflation expectations.	To invest 30% of the Scheme's assets in LDI.
Liquidity	Difficulties in raising sufficient cash when	To maintain a sufficient allocation to liquid assets so that there is a prudent

	required without adversely impacting the fair market value of the investment.	buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	When relevant, to appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance (ESG)	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To delegate to the investment manager the consideration of ESG factors in determining the appropriate holdings within their portfolios.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Delegate responsibility of currency hedging decisions within the Diversified Multi-Asset mandate to Barclays, within constraints imposed by the agreed investment guidelines. Hedge currency risks where deemed appropriate, following advice from investment advisers.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C – Investment Management Arrangements

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.	• As the Scheme's investment with L&G is via pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the Scheme's strategic objective. • The Trustees have a segregated arrangement with Barclays, thereby allowing Barclays to align their strategy with the Trustees policies. This is reviewed on an ongoing basis.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.	• The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The transaction costs incurred from portfolio turnover are collated annually for the Scheme accounts. • The investment managers take account of transaction costs in the context that their performance is measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers.	• The duration of the arrangements in which the Scheme invests in is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.