

Thames & Hudson Limited Pension Fund

Statement of Investment Principles

1. Introduction

The Trustees of the Thames & Hudson Limited Pension Fund (the "Fund") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments. The Fund was closed to new members from 14 March 2005 and closed to future benefit accrual on 31 August 2015. Members' benefits are therefore based on completed service up to 31 August 2015.

- 1.1 A description of the Fund's current investment arrangements, based on these principles, can be found in the Trustees' Investment Policy Implementation Document ("IPID") which is available to members on request.
- 1.2 In preparing this Statement, the Trustees have consulted the Sponsoring Company ("Thames & Hudson Limited") to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Fund's investment arrangements.
- 1.3 The Trustees seek to maintain a good working relationship with the Sponsoring Company and will discuss any proposed changes to the Statement with the Sponsoring Company. However, the Trustees' fiduciary obligations are to the Fund's members and these will take precedence over the Sponsoring Company wishes, should these ever conflict.

2. Investment Objectives

2.1 Overall Policy

- 2.2 The strategic management of the assets is the responsibility of the Trustees acting on expert advice. The day-to-day management of the main assets of the Fund is delegated to independent investment managers who execute the investment strategy. The Trustees are responsible for the appointment and performance monitoring of the investment managers.

- 2.3 The Trustees have appointed Mercer to act as discretionary investment manager, to implement the Trustees' strategy. In this capacity, and subject to agreed restrictions, the Fund's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE") as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Fund's assets on a day to day basis.

- 2.4 In considering appropriate investments for the Fund, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

2.5 Investment Objectives

2.6 The primary objective of the Trustees is to invest the Fund's assets in the best interest of the members and beneficiaries. The Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Fund is exposed. The Trustees' objectives over the expected lifetime of the Fund are as follows:

- Restore the funding position of the Fund on a technical provisions basis to at least 100%.
- Ensure that the Fund can meet its obligation to the beneficiaries of the Fund.

The objectives set out above alongside the risks and other factors referenced in this Statement are those that the Trustees determine to be financially material considerations.

3. Risk Management and Measurement

3.1 There are various risks to which all pension schemes are exposed and which the Trustees believe may be financially material over the expected lifetime of the Fund. The over-riding risk of which the Trustees are cognisant of is that arising through a mismatch between the Fund's assets and its liabilities.

3.2 In addition, the Trustees' policy on the management of other risks is as follows:

- Whilst increasing risk potentially increases returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's liabilities as well as producing more short-term volatility in the Fund's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted in section 2) have considered the implications of adopting different levels of risk.
- The Trustees aim to ensure that the asset-allocation policy results in an adequately diversified portfolio. Recognising the advantages of diversification, and due to the size of the Fund's assets, investment exposure is obtained via pooled vehicles. The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Fund.
- The Trustees may appoint managers which they consider to have the skill and judgement to increase the expected return of Fund assets on a net of fees basis. The Trustees understand that the use of active, rather than passive, management introduces additional risk. Where active management is adopted, the Trustees consider this risk to be acceptable.
- The Trustees receive detailed quarterly reports from the investment managers, reporting on the performance of each individual pooled fund, to monitor the Fund's investments. The safe custody of the Fund's assets is delegated to professional custodians via the use of pooled vehicles.
- The Trustees recognise that there is a currency risk associated with holding securities denominated in foreign currencies, due to movements in exchange rates.
- Environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 9 sets out how these risks are managed.

- 3.3 Should there be a material change in the Fund's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered; in particular, whether the current risk profile remains appropriate.

4. **Portfolio Construction**

- 4.1 The Trustees have adopted the following control framework in structuring the Fund's investments:

- There is a role for both active and passive management. Investment in cash may also be permitted for a number of reasons including; to diversify risk, and as a temporary home pending investment with a manager.
- Investments should be broadly diversified to ensure there is not a concentration of investment with any one issuer.
- The Trustees will ensure, wherever possible, that the assets of the Fund are predominantly invested on regulated markets. Investments may be made by the pooled fund managers in securities that are not traded on regulated markets only in so far as the prospectuses of the respective pooled funds allow. Recognising the risks such investments will normally only be made with the purpose of reducing the Fund's mismatch risk or to facilitate efficient portfolio management and will be kept to a prudent level.
- No investment may be made in securities issued by the Fund's Sponsoring Company or affiliated companies (unless it is held as an element of a pooled fund in which the Fund invests).
- No investment by an appointed investment manager in the securities issued by the relevant manager's company or any affiliated companies unless it is held as an element of a pooled fund in which the Trustees invest).
- Borrowing does not take place except to cover short term liquidity requirements.
- Investment in derivatives is permitted within pooled funds as long as it contributes to a reduction in risk, facilitates efficient portfolio management or is otherwise permitted as part of the fund's investment strategy. Derivative instruments may also be used for hedging purposes.

5. **Investment Strategy**

- 5.1 The Trustees have adopted a strategy with the aim of generating sufficient investment returns to achieve the Fund's investment objectives.
- 5.2 The investment strategy takes account of:
- the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners);
 - the level of disclosed surplus or deficit in the Fund; and
 - the expected strength of covenant of the Sponsoring Company
- 5.3 The Trustees of the Fund, after seeking professional advice, took the decision to de-risk a portion of their assets from equities (a third of the Fund's equity holdings) and invest the proceeds into inflation-linked bonds in July 2014; with a view to increasing the allocation to inflation linked assets over time.

Subsequently, following the results of the 31 December 2015 triennial actuarial valuation and further professional advice, a second tranche of equities was sold in July 2016 and reinvested in index-linked bonds. Matching assets now make up the majority of the investment portfolio.

- 5.4 Details regarding the Fund's strategic allocation and implementation framework can be found in the IPID.

6. Realisation of Investments

- 6.1 The Trustees on behalf of the Fund hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

7. Responsible Investment and Corporate Governance

- 7.1 The Trustees believe that good stewardship and environmental, social and governance (ESG) issues may have a material impact on investment risk and return outcomes and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

- 7.2 As noted above, the Trustees have appointed Mercer to act as discretionary investment manager in respect of the Fund's assets and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

- 7.3 The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, is expected to provide reporting to the Trustees on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

- 7.4 Member views

Member views are not taken into account in the selection, retention and realisation of investments.

- 7.5 Investment Restrictions

The Trustees have not set any investment restrictions in respect of the Mercer Funds held by the Fund, but may consider this in future. The restrictions applied by Mercer for the management of their funds are outlined in the [Sustainable Investment Policy](#).

8. Investment Manager Appointment, Engagement, and Strategy

- 8.1 When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in section 5, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Fund, in particular, long-term liabilities.

- 8.2 As Mercer manages the Fund's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy as outlined in section 4. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.
- 8.3 Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.
- 8.4 To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one year, three years and since inception. The Trustees review the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.
- 8.5 Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees are, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement.
- 8.6 Section 8 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Fund.
- 8.7 The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.
- 8.8 The Trustees are long term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.
- 8.9 The Trustees monitor and evaluate the fees they pay for asset management services on an ongoing basis taking into account the progress made in achieving the investment strategy objectives as outlined in section 5. Mercer's, and MGIE's, fees are based on a percentage of the value of the Fund's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

- 8.10 MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Fund. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.
- 8.11 Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Fund's annualized, MiFID II compliant Personalised Cost & Charges statement. The Fund's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.
- 8.12 The Trustees do not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

9. Additional Assets

- 9.1 Under the terms of the Trust Deed the Trustees are responsible for the investment of Additional Voluntary Contributions ("AVCs") paid by members subject to the instructions of the members. The Trustees review the investment performance of the chosen providers periodically and take advice as to the providers' continued suitability.

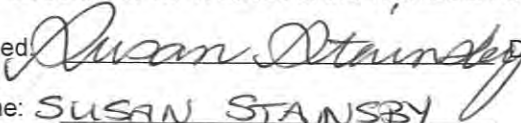
10. Compliance with this Statement


- 10.1 The Trustees monitor compliance with this statement annually and will obtain confirmation from the investment manager (Mercer) that they have complied with it so far as reasonably practicable and that in exercising any discretion the investment managers have done so in accordance with Section 4 of The Occupational Pension Scheme (Investment) Regulations 2005 (as amended).

11. Review of this Statement

The Trustees review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Signed on behalf of the Trustees of the Thames & Hudson Limited Pension Fund.

Signed:  Date: 1/8/2020
Name: SUSAN STANSBY

Signed:  Date: 31/07/2020
Name: BRIAN MEEK

July 2020