THE REFUGE PENSION SCHEME

Statement of Investment Principles

1. Introduction

The Trustees of the Refuge Pension Scheme ("the Scheme") have adopted this Statement of Investment Principles ("the Statement") to comply with the requirements of:

- The Pensions Act 1995, as amended by the Pensions Act 2004;
- The Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pensions Schemes (Charges and Governance) Regulations 2015;
- The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019; and
- Subsequent legislation.

As required under legislation, the Trustees have consulted a suitably qualified person in obtaining written advice from Mercer Limited ("Mercer") regarding this Statement to ensure compliance with the legal requirements about choosing investments (as per section 36 of the Pensions Act 1995). The Trustees, in preparing this Statement, have also consulted Mason Owen and Partners Limited ("the Company") as Sponsor of the Scheme.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustees' investment powers are set out within the Scheme's governing documentation and relevant legislation

If necessary, the Trustees will take legal advice regarding the interpretation of these regulations. The Trustees note that, according to the law, they have ultimate responsibility for the Scheme's investment arrangements. When the Trustees make investment decisions, they will refer to this Statement to ensure that the Scheme's investment arrangements are consistent with their investment principles.

The Scheme is a defined contribution pension arrangement. It is not classified as a qualifying scheme for auto-enrolment purposes. The Trustees have implemented an investment strategy specific for their desired objectives.

The Trustees will seek to maintain a good working relationship with the Company and will discuss any proposed changes to this Statement with the Company. However, the Trustees' fiduciary obligations to Scheme members will take precedence. Currently, the Scheme is non-contributory for the members with the Company making all contributions. However, members may make bonus sacrifice contributions if they wish, and transfers in to the Scheme are permitted.

2. Investment Objectives

The Trustees' objectives generally are:

- To maximise members' retirement fund in the accumulation phase of their membership within the Scheme within an appropriate risk tolerance; and
- To maintain sufficient liquidity for the efficient operation of the investment strategy.

The Trustees believe that members of the Scheme have a small number of focused objectives. The objective of the Trustees is therefore to invest in a single asset class, which is investing directly in a portfolio of direct commercial properties and they believe this is the most appropriate investment to meet the long term investment objectives. The Trustees' understanding, based on their review of the membership is that members are familiar with the operation of the property market and understand the nature of the investments.

The following encapsulates the Trustees' objectives when determining the choice of investments:

- to provide long term rates of return that enhance the value of members' assets by retirement as far as possible in relation to the risk taken;

- to maximise the returns from the investment in a portfolio of commercial properties, including rental income and capital appreciation;

- to invest in a range of properties to facilitate diversification across properties, as far as possible, within the single asset class and the confines of the mandate; and

- to meet fiduciary duties as set out in the Act and the Trust Deed.

3. Strategy

3.1 Strategy

Pension flexibilities were introduced by the Government from April 2015; these legislative changes introduced some fundamental changes to how members can take their benefits at retirement. Legislation now allows members greater freedom in relation to their DC savings (once they have achieved minimum pension age of 55).

Members no longer have to purchase an annuity with their pension pot. Individuals are now able to choose to take their benefits in one or a combination of the following ways:

- Purchase an annuity (using an external provider);

- Transferring all savings out;
- Take their pot in the form of Uncrystallised Funds Pension Lump Sum.

The Trustees offer a single investment option, considered to be a default option, which is the only investment option available to the members. The Trustees' view is that this is the only option required to meet their objectives. Members do not have the option of other investments but do have the option, if they prefer a different investment strategy, of having some or all of their employer contributions directed into other schemes of their choice and/or transferring part or all of their accumulated funds into other schemes of their choice.

In choosing what is believed to be an appropriate default, the Trustee have not taken into account factors such as members' expected projected pot sizes at retirement, contribution levels or the level of replacement income that members are likely to require. The objectives of the Scheme are specific and supported by a focused investment strategy, as determined by the Trustees.

Investment Strategy

The selection of investment options will be performed in a manner consistent with generally accepted standards of fiduciary responsibility with the use of specialists for the investment mandate. All decisions undertaken on behalf of the members of the Scheme will be for the sole benefit of the members.

In devising the strategy, the Trustees have considered the kind of investments that members should invest in. The consideration has been focused on commercial property for the reasons of the asset class providing expected growth over the long term and where the expertise in management can be accessed

Having received professional advice as and when the Trustees deem appropriate, and considered investment time horizons, risk tolerance levels and what the members are seeking to achieve from the Scheme, the Trustees have selected investments based on the following considerations:

- To provide exposure to a range of properties in the commercial sector, including retail, servicing and other sectors as appropriate.
- To provide diversification across each of the property holdings within the portfolio.
- To provide active governance over the holdings on a regular basis, using expertise from the Company to support the Trustees.
- To maintain a level of liquidity, through holding cash in a bank account, to meet payments to members and expenses when needed and to increase the holdings within the portfolio when opportunities arise.

The Default Option

The Trustees have established a default investment option to ensure the objectives as outlined in Section 2 and risks as outlined in Section 5 are appropriately managed. The default option is the only investment option. The definition of the default based on the fact that members do not and cannot express a choice over the investment of their contributions.

The Trustees believe that the default has been designed with the best interests of members in mind, given the investment objectives specified. The Trustees' understanding of the membership profile is that members will be familiar with the nature of the investment. This is supported by a clear communications strategy. Members receive a summary of every property holding and any changes which have occurred with that property over the past year together with the value of the Schemes' assets in the annual accounts. Additionally, members return a signed agreement to the investment strategy on an annual basis.

The Trustees keep the investment strategy under regular review. In making decisions in relation to the purchases of properties, the decision has been delegated to the Company. The Trustees believe that the Company has the expertise to manage the assets needed to support meeting their objectives. The Company has established a Property Investment Committee for the management of the property holdings. The Trustees have also taken legal advice that this approach is suitable and to ensure that any conflicts are managed.

The Trustees have taken advice from the Property Investment Committee to ensure that the assets are invested in a manner that aims to ensure the security, quality, liquidity and profitability of the investments.

Assets in the default option are invested in cash and marketable properties and managed by property investment professionals, providing reasonable liquidity. The selection, retention and realisation of assets within the fund are delegated to the Property Investment Committee in line with the mandates of the funds.

The Company has full discretion (within the constraints of the mandate) on the extent to which environmental, social and governance considerations are taken into account in the selection, retention and realisation of investments. The Trustees' policy regarding such issues is detailed later in this Statement.

Taking into account the demographics of the Scheme's membership and the Trustees' views on what the membership is seeking to achieve from the Scheme, the Trustees believe that the current default option is appropriate and will continue to review this over time, at least triennially, or after significant changes to the Scheme's demographic, if sooner. The objective is focused on long term capital appreciation and rental income.

3.2 Expected Return

The funds available are expected to provide an investment return commensurate to the level of risk being taken. The Trustees believe that the returns from the property portfolio will achieve real growth over the long term, which will contribute to achieving what is deemed as a good outcome for members.

4. Risk

In determining which investment options to make available, the Trustees have considered the investment risk associated with defined contribution pension investment. These are:

i. The risk that the return over members' working lives will not keep pace with inflation and does not, therefore, secure adequate benefits at retirement;

ii. The risk that the tenant of one or more of the properties fails to make the contractual payments, in the form of rent;

iii. The protection of capital, over at least the medium-term is fundamental in supporting the long-term growth of the members' individual accounts. The value of the individual properties can go down as well as up. Members may not get back the amount they invested.

iv. The risk that environmental, social or corporate governance concerns, including climate change have a financially material and detrimental impact on the return of the Scheme's assets;

v. The risk that investment valuation of the portfolio, which is a subjective consideration, in the period immediately prior to retirement lead to a substantial reduction in the anticipated level of benefit;

vi. The risk that the returns from the portfolio are invested under-perform the expectation of the Trustees;

vii. The risk of variability in the valuation of the properties;

viii. The risk that members' investments do not provide the required level of liquidity and members are unable to realise their investments.

Policies with regards to managing risk

Type of Risk	Risk	Description	How is this risk monitored and managed?
Market risks	Inflation risk	The risk that returns over the members' working lives does not keep pace with inflation.	The Trustees invest in commercial property, which is expected to achieve long term real return. Valuations of the property holdings takes place annually.
	Credit risk	The risk that rental income is not received when it falls due.	The Trustees have holdings in over twelve properties to mitigate the impact in the delay of payments.

	Price risk	The risk that market movements leads to a substantial reduction in the value of a member's savings.	Assets in the default options are diversified across a range of properties. Members are made aware that over shorter periods there may be declines in value.
Liquidity Risk		The risk that the Scheme's assets cannot be realised at short notice in line with member demand.	The Scheme holds cash in a separate bank account to manage any liquidity requirements.
Benefit conversion risk		The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	Members have the option to transfer their savings from the Scheme at any time and to have their employer contributions paid into an alternative scheme of their choice.
Environmental, Social and Corporate Governance ("ESG") risk		The risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The Trustees do consider that management of ESG related risks is a key or financially material consideration for the mandate in question. More details are provided in Section 10.
Counterparty Risk		The risk that a tenant for one or more of the properties may default on its contractual payment obligation.	The Trustees have contracts in place which will include appropriate liability clauses in the event of a default.

Trade-Off between risks:

- The relative importance of inflation, capital and pension conversion risk depends on the length of time to retirement and each member's attitude to risk and expected return. Managing pension conversion and capital risks is important near retirement, whereas the inflation risk should be far more important to younger members.

- Due to the complex and interrelated nature of these risks, the Trustees consider these risks in a qualitative rather than quantitative manner as part of each regular strategy review.

- Members are also made aware of the low level of diversification in the investment strategy and are asked to record their acknowledgement on an annual basis.

5. Monitoring the Investment Managers and Performance

The Trustees consider the following factors, which are specific to the mandate:

- long-term historical performance relative to an appropriate market benchmark;

- specific risks associated with each property, including quality of tenant; and
- risk associated with the provision of an investment strategy that is not diversified across asset classes.

The Trustees will consider these factors in aggregate when evaluating the continued appropriateness of the investment. While no single factor will determine whether one or more of the constituent properties will be retained, or eliminated, certain factors may carry more weight in the analysis.

The Company is responsible for the valuation of the properties and are professionals in this field and are registered valuers at the Royal Institute of Chartered Surveyors. These valuations are used to calculate investment performance on an annual basis. To support the Company's activity, other independent valuations are taken triennially with bi-annual valuations for new property purchases.

The Trustees receive annual reports from the Company. The Company is a specialist in the trading and management of commercial properties in the UK.

6. Investment Manager Fees and Expenses

The Fund bears a number of expenses that are typically associated with investment in physical property assets:

- Management service costs
- Trading costs from the purchases and sales of properties
- Stamp duty
- Bank interest charges
- Administration fees

Management costs are negotiated by the Company on behalf of the Trustees and are therefore subject to satisfactory competitive terms. The costs are reviewed periodically by the Trustees.

Fees and expenses may also be incurred due to other factors. All fees and expenses are documented in the Company annual accounts, which are shared with the Trustees for governance purposes, and are offset from the valuations to give a realistic measure of performance year on year. These will be reported in the annual Chair's Statement.

All other administrative costs, including fees to professional advisers and member communications are paid by the Company.

7. Investment Evaluation

The Trustees shall monitor overall performance and shall ensure the reporting of such performance characteristics on an annual basis with support from the Company. The Trustees, nevertheless, may act on interim qualitative judgements. Qualitative factors may include, but is not limited to, fundamental changes in the UK economy, changes in local and national property markets and forecasted demand for the properties in the portfolio. The Trustees have appropriate knowledge to make an evaluation.

8. Day-to-Day Management of Assets

Day-to-day management of the assets is delegated to the Company who is a professional property manager. Decision regarding the purchases and sales of property are made by the Property Investment Committee. Further details of the current property holdings can be provided to members upon request.

9. Realisation of Investments

The nature of the investment means that daily liquidation of assets is not possible and action has been taken to manage this constraint. The Trustees hold cash from contributions in the separate bank account to manage liquidity requirement and for the receipt of rental income from the property portfolio.

In general, the Property Investment Committee has responsibility for the realisation of sales in order to providing sufficient liquidity to meet member demands, as advised by the Trustees.

10. Policy in relation to illiquid assets

The Trustees consider illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash. The Scheme's default arrangement includes material direct allocations to illiquid investments.

The Trustees are comfortable directly investing significant proportions of illiquid assets through investments in property in order to experience the potential for higher returns to more traditional asset classes that illiquid assets can offer. The Trustees are aware of the risks of being invested in one illiquid asset class alone means that they is limited diversification in the investment strategy and accepts these risks as being consistent for the main objective.

For any future investment, the Trustees will carefully consider whether the investment provides value for members taking account the potential for returns and associated risks from illiquid assets. It is the Trustee's policy to review the allocation of the default investment strategy on at least a triennial basis.

11. Environmental, Social and Corporate Governance Considerations

In determining its approach to these issues, the Trustees believe it is important to take into consideration both its views and the views of the Company as the latter selects the properties for the investment portfolio. The Trustees have considered sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, at a high level and recognise that these issues increasingly require explicit consideration.

However, the Trustees are also aware that there are limitations over their ability to account for these factors given the limited number of investments that are held and the actions generated from these holdings. There are no corporate voting rights attached to ownership of these investments.

The Trustees have adopted a long-term time horizon for the assessment of financially material risks and are mindful of the impact of the ownership of property on local environments, which is taken into account when properties are purchased.

Day-to-day decisions relating to the investment of Scheme assets is left to the discretion of the Property Investment Committee. This includes delegating responsibility of exercising ownership rights attached to investments. The Trustees will review the any sustainable investment policies if it is deemed to be required. The Trustees may be limited in what can be achieved in isolation with the investments in direct but does have the ability to actively engage with the Company and the Property Investment Committee and understand their engagement and activities in this area.

Member views

Member views were considered in the selection, retention and realisation of investments and the Trustees seek to consider these views as part of investment strategy design as far as reasonably practicable. Non-financial matters are taken into account in the selection of properties to the extent that they may have a material impact on valuations.

12. Aligning Manager Appointments with Investment Strategy

The Trustees will consider, where appropriate, how the Company that manages the properties that are held aligns their interest with that of the Trustees. This view will be based on the Trustees' assessment of the portfolio holdings and the nature of the properties that are selected to ensure they are consistent with the objectives. The Trustees will also check that due diligence is undertaken in decisions around selection, retention and realisation of the property holdings by the Company and Property Investment Committee.

The Trustees will review the appointment if the approach to property selection changes to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. The Trustees will seek to understand any changes fully through engagement with the Company.

Portfolio Turnover Costs

The Trustees monitor portfolio turnover costs, which are incorporated in the annual costs and charges disclosed within the Chair's Statement of Governance. The Trustees are reliant on the Company as the manager of the properties and associated valuation agents to undertake the monitoring required. Given the nature of the investment, there may be a time lag for the provision of this data. No targets have been set in relation to turnover costs.

Manager Turnover

The Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis so expected change to the Company that manages the investment arrangements is low. The Trustees will therefore retain the Company to manage the property portfolio unless:

- There is a strategic change to the overall strategy that no longer requires the continued investment in commercial property;
- The basis on which the Company has been mandated to run the portfolio changes materially (e.g. manager fees or investment process for the selection of properties);
- The manager appointed has been reviewed and the Trustees have decided to terminate the mandate.

13. Compliance with and review of this Statement

The Trustees will monitor compliance with this Statement a minimum of once every three years. In addition, the Trustees will review this Statement in response to any material changes to any aspects of the Scheme (including the Scheme membership profile) and the attitude to risk of the Trustees and the Company which the Trustees judge to have a bearing on the stated investment policy. Any such review will be based on written expert investment advice and will be in consultation with the Company.

Peter Burke

On Behalf of the Trustees of the Refuge Pension Scheme

January 2024