Moët-Dior Retirement Benefits Scheme

Statement of Investment Principles

June 2020

Table of contents

1. Introduction

1.1 Scheme Background

- This Statement of Investment Principles (the "Statement") details the principles governing investment decisions for the Moët-Dior Retirement Benefits Scheme (the "Scheme").

- The Scheme:
  - operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries;
  - provides benefits calculated on a defined benefit basis; and
  - is closed to new entrants.

- Buck is the investment consultant to the Trustees.

1.2 Statement Structure

This Statement is divided into two main sections as follows:

- **Statutory Section:** This section covers the requirements of and the Scheme's compliance with the provisions of the Pensions Act 1995 as amended by the Pensions Act 2004.

- **Myners Section:** This Section includes additional non-statutory information that the Myners Principles recommended are included in a strengthened Statement of Investment Principles.

2. Statutory Information

2.1 Introduction

- This section of the Statement covers the requirements of the Pensions Act 1995 as amended by the Pensions Act 2004. In accordance with section 35 of the Pensions Act 1995, the Trustees have reviewed and considered written advice from the investment consultant and actuary prior to the preparation of this Statement and have consulted the sponsoring employer before agreeing with the investment managers the investment strategy outlined in this document.

- The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of types of investments, the need to diversify, the custodianship of assets and any self-investment.

- The Investment Managers will prepare detailed quarterly reports on their activities and custodianship and the Trustees will meet with them periodically.

- This Statement will be reviewed periodically or whenever changes to the principles or strategy are necessary. Any changes to this Statement will be undertaken on the advice of authorised investment consultants, as will any appointment or review of the investment managers.

- All investment decisions of the Scheme are under the control of the Trustees, with no constraint by the sponsoring employer. All investment decisions are taken by the Trustee board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the board, except for specific projects when a sub-committee may be set up. The Trustees will examine regularly whether additional investment training is desirable for any individual Trustee.

2.2 Statutory Requirements

- This part of the Statement details the Trustees' policy to secure compliance with the requirements of sections 35 and 36 of the Pensions Act 1995.

2.2.1 Investment Objectives and Suitability of Investments:

- The Trustees' agreed investment strategy is based on an analysis of the liability profile of the Scheme, the required investment return and the returns expected from the various asset classes over the long-term. Long-term returns from equities and other diversifying growth assets are expected to exceed the returns from bonds and cash, although returns and capital values can demonstrate higher volatility. The Trustees are prepared to accept this higher volatility in order to aim to achieve the overall investment objective.

- The primary objective of the Trustees is to operate an investment strategy that provides sound long term growth and appropriate security for all beneficiaries.

- The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Scheme, details of which is included in the appendix.

- In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment managers authorised under the Act.

- The Trustees consider their current strategic asset allocation to be consistent with the current financial position of the Scheme. This judgement is made with reference to the technical provisions set out in the Scheme's 'Statement of Funding Principles'.

2.2.2 Diversification:

- The Trustees, after seeking appropriate investment advice, have selected a strategic asset allocation benchmark as set out in the appendix.

- Subject to their respective benchmarks and guidelines the managers are given full discretion over the choice of stocks and are expected to maintain diversified portfolios.

- The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

- Given the size and nature of the Scheme, the Trustees have decided to invest on a pooled fund basis; any such investment is effected through a direct agreement with an investment manager and/or through an insurance contract.

- The Trustees are satisfied that the range of pooled vehicles in which the Scheme's assets are invested provides adequate diversification.

2.2.3 Balance between different kinds of investments:

- The appointed investment managers will hold a mix of investments that correspond to the strategic benchmark. Within each major market each manager will maintain a diversified portfolio of stocks through pooled vehicles.

2.2.4 Risk:

- The Trustees consider the main risk to be that of the assets being insufficient to meet the Scheme's liabilities. The Trustees have carried out a risk modelling exercise to establish the likelihood of future undesirable financial outcomes arising in the future. The adopted investment strategy is outlined in the appendix.

- The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the Scheme's investment consultant.

- The Trustees acknowledge that the main risk is that the Scheme will have insufficient assets to meet its liabilities, which may be caused by the following risks. The risk:
  - associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors;
  - of the Scheme having insufficient liquid assets to meet its immediate liabilities;
  - of the investment managers failing to achieve the required rate of return;
  - due to the lack of diversification of investments;
  - of failure of the Scheme's sponsoring employer.

- The Trustees manage and measure these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

- Monitoring of the investment managers' performance against their target and objectives on a regular basis is undertaken by the Trustees.

- The Trustees provide a practical constraint on Scheme investments deviating greatly from the Trustees' intended approach by adopting a specific asset allocation benchmark with control ranges, where appropriate. These are shown in the appendix.

- The Trustees have agreed performance targets for each of the Scheme's investment managers. Within each asset class, the investment managers are expected to maintain a portfolio of securities, which ensures that the risk being accepted in each market is broadly diversified.

- The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the Scheme's investment consultant. Any deviation from the target asset allocation will be discussed periodically with the investment consultant.

2.2.5 Expected return on investments:

- The investment strategy is believed to be capable of exceeding, in the long-run, the overall required rate of return as set out in the Scheme Actuary's actuarial valuation report.

2.2.6 Kind of investments to be held:

- The Scheme may invest in quoted and unquoted securities of UK and overseas markets including, for example, equities, property, fixed interest and index-linked bonds, cash and derivative-based liability-driven investment ("LDI") strategies etc, via pooled investment vehicles that are considered to be appropriate for tax-exempt registered occupational pension schemes. The Trustees have considered the attributes of the various asset classes (including derivative instruments). These attributes being:
  - security (or quality of the investment),
  - yield (expected long-term return),
  - spread (or volatility) of returns,
  - term (or duration) of the investment,
  - exchange rate risk,
  - marketability/liquidity (i.e., the tradability on regulated markets),
  - taxation.

2.2.7 Realisation of investments:

- In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the investment managers to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The majority of assets are not expected to take an undue time to liquidate.

2.2.8 Financially Material Considerations:

- The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors (including climate change) as part of their investment analysis and decision-making process.

- The Trustees will take into account the way that financially material considerations are incorporated into the manager's investment approach when deciding whether to select a new investment manager.

- The Trustees have determined that all existing and new manager appointments should have a minimum ESG score of two (out of four) leaves[1]. A score of two leaves is awarded to managers who exhibit evidence of ESG factors being considered and acted upon, as determined by Buck's Investment Research Team.

[1] The ESG score is based on a 10-point scoring system that evaluates the extent to which ESG principles have been integrated within a manager's investment approach. This scoring then translates into an ESG rating of 1-4 leaves (one being the lowest and four being the highest).

2.2.9 Non-Financial Considerations:

- The financial interests of the Scheme members are the Trustees' first priority when choosing investments. The Trustees do not take members' preferences into account when considering these objectives.

2.2.10 Stewardship in relation to the Scheme's assets:

- The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their Investment Managers.

- The Trustees' policy is, where appropriate, to delegate responsibility for engaging and monitoring investee companies to the Investment Managers and they expect the Investment Managers to use their discretion to maximise financial returns for members and other investors over the long term.

- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity. The Trustees will take corporate governance policies into account when appointing and reviewing Investment Managers.

2.2.11 The Trustees' policy in relation to their investment managers

- In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees' policies and provides value for money over a suitable timeframe.

- **How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustees' policies:**

  The Trustees have delegated the day to day management of the Scheme's assets to investment managers. The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

- **How the arrangement incentivises the investment managers to engage and take into account financial and non-financial matters over the medium to long-term:**

The Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled fund to use in order to meet specific Scheme policies. They expect that their investment managers make decisions based on assessments about the financial characteristics of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustees have decided not to take non-financial matters into account when considering their policy objectives.

- **How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustees' investment policies:**

  The Trustees expect their investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustees review the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

  If the Trustees determine that the investment manager is no longer managing the assets in line with the Trustees' policies they will make their concerns known to the investment manager and may ultimately disinvest.

  The Trustees pay their investment managers a management fee which is a specified percentage of assets under management.

  Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- **How the Trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range:**

  The Trustees, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the investment managers used by the Scheme.

  The Trustees expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

- **The duration of arrangements with investment managers:**

  The Trustees do not in general enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

2.2.12 Additional Voluntary Contributions (AVCs):

- The Trustees have considered AVC options that are suitable for the Scheme's members. The Trustees will monitor the performance of AVC providers periodically. The objective is to secure a return consistent with that achieved by typical AVC contracts of the kind used for AVC investment.

- Members are recommended to seek independent financial advice when considering their AVC arrangements.

3. Myners Principles

The original Myners Review of "Institutional Investing in the UK" was published in March 2001. It included a set of 10 Principles that pension scheme trustees were recommended to use when considering their investment strategy for defined benefit pension schemes and 11 Principles for defined contribution pension schemes. The Government endorsed the report with some minor modifications on 2 October 2001. Pension scheme trustees were asked to comply with the Principles on a voluntary basis. The Myners Principles recommend that certain issues are included in the Statement.

The Myners Principles were subsequently reviewed in October 2008. The explicit requirement to include certain items in a strengthened Statement was removed and replaced with a requirement for Trustees to act in a transparent and responsible manner. In making the following statements, the Trustees believe that they are complying with the spirit of these Principles.

3.1 Responsible ownership

Details of the responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments are included in Section 2.2.10.

3.2 Transparency & reporting

The Trustees have discretion over the form of reporting they wish to undertake. This Statement provides the following details of the Trustees' investment approach:

- Who is taking which decisions and why has the structure been selected?

  Details of the Trustees' decision making structure are included in Section 2.1.

- What is the Trustees' investment objective?

  Details of the Trustees' investment objective are included in Section 2.2.1. Investment managers' specific objectives are set out in the Trustees Investment Implementation Policy document.

- What is the Trustees' asset allocation strategy, including projected investment returns in each asset class, and how the strategy has been selected?

  Details of the Trustees' asset allocation strategy are included in the appendix. The strategy was determined after taking advice from the investment consultant and consultation with the sponsoring employer and the Scheme Actuary.

- What are the mandates given to all advisers and investment managers?

The responsibilities of the Trustees, the investment consultant and the investment managers are outlined in Section 3.3.

- What is the nature of the fee structures in place for all advisers and managers; and why this set of structures has been selected?

  The Trustees have discussed and agreed these fees following consultation with their advisers, where appropriate, and believe they are reasonable for the services they receive. Details of the fees charged by the investment managers and the investment consultant are included in the Trustees' Investment Implementation Policy document.

3.3 Appointments & responsibilities

3.3.1 Trustees

The Trustees' primary responsibilities regarding investments include:

- Preparation of the Statement and reviewing the content of the Statement and modifying it if deemed appropriate, in consultation with the sponsoring employer and the investment consultant, at least every three years. The Statement will also be reviewed following a significant change to investment strategy and/or the investment managers.

- Appointing investment consultants and investment managers as necessary for the good stewardship of the Scheme's assets.

- Reviewing the investment strategy following the results of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, taking advice from the investment consultant and the Scheme Actuary.

- Assessing the processes (and therefore the performance) of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance).

- Monitoring compliance of the investment arrangements with this Statement on a regular basis.

- Monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustees in respect of the Scheme's equity holdings.

3.3.2 Investment consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustees in the preparation and periodic review of this Statement in consultation with the sponsoring employer.
- Undertaking project work including reviews of the investment strategy, investment manager structure and their performance as required by the Trustees.
- Advising the Trustees on the selection and review of investment managers.
- Monitoring and advising upon where contributions should be invested/disinvested on a periodic basis.

3.3.3 Investment managers

The investment managers' main responsibilities include:

- Investing assets in a manner that is consistent with the objectives set.
- Ensuring that investment of the Scheme's assets is in compliance with prevailing legislation and within the constraints detailed in this Statement.
- Providing the Trustees with quarterly reports including any changes to their investment process and a review of the investment performance.
- Attending meetings with the Trustees as and when required.
- Informing the Trustees of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur.
- Exercising voting rights on shareholdings in accordance with their general policy.

3.3.4 Custodian

- Custodial responsibilities for the Scheme's investments are delegated by the investment managers, to an appointed custodian for all clients investing in their pooled funds.

3.3.5 Administrators

- The Scheme's administration is carried out by Buck.

3.3.6 Scheme Actuary

The actuary's main responsibilities include:

- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Performing the triennial (or more frequently as required) valuations and advising on the appropriate level of contributions and the Scheme's funding level in order to aid the Trustees in balancing short term and long term objectives.
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall. The Scheme Actuary is Mike Fenton of Buck.

3.4 Performance Monitoring

- Each of the vehicles in which the Scheme invests has a stated performance objective by which the performance is measured.
- The Trustees will review the performance of the appointed investment managers from time to time, based on the results of their performance and investment process.
- The investment managers are expected to provide written reports on a quarterly basis, and report verbally on request, to the Trustees.

Signed on behalf of the Trustees of the Moët-Dior Retirement Benefits Scheme:

…………………………………………….	**…………………………………………..**
Signature	**Date**
…………………………………………….	**…………………………………………..**
Signature	**Date**

Appendix 1 – Strategic Benchmark and Objectives

Total Scheme Strategic Benchmark

The table below sets out the target benchmark allocation for the Scheme's assets and MTAA control ranges for each asset class considered acceptable by the Trustees.

Asset Type	Target Allocation (%)	MTAA Control Range (%)
UK Equities	27.5	17.5 – 37.5
Overseas Equities*		
Property**	2.0	0.0 - 5.0
Diversified Fund**	25.5	15.5 – 35.5
Total Return-focussed Assets	***55.0***	***45.0 – 65.0***
UK Corporate Bonds	18.0	8.0 – 28.0
LDI	27.0	N/A
Cash		
Total Liability-focussed Assets	***45.0***	***35.0 – 55.0***
Total	**100.0**	

Notes:
Figures may not sum due to rounding.
The allocation to Equities is split ¼ UK, and ¾ Overseas Equities.
** Approximately 50% of the allocation to overseas equities is invested in a GBP-hedged share class.*
*** The total target allocation to property and the diversified fund is 50% of the Scheme's return-enhancing assets.*
The Trustees target a hedge ratio of 100% of the Technical Provisions liabilities. The hedge is monitored by the Trustees from time to time.
No further investment or disinvestment will be made without further advice from the Scheme's investment consultant.

The Trustees may from time to time decide to temporarily target a different allocation to the target allocation set out in the table above. Adjustments will be based on the medium-term outlook for investment returns from different asset classes and will be within the MTAA Control ranges shown above. The Trustees will take advice from the investment consultant prior to adjusting their asset allocation in this way.

The Trustees note that the Scheme's asset allocation will drift away from the Target allocation (or MTAA-adjusted target allocation) due to market movements. This drift will be monitored and a rebalancing exercise undertaken should any asset class drift too far from its target.