



The Lewis Workplace Pension Trust Statement of Investment Principles

June 2018 to May 2021

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<u>Introduction</u>	<u>Governance</u>	<u>Aims & Objectives</u>	<u>Investment Strategy</u>	<u>Investment Powers</u>	<u>Investment Committee</u>
<u>Trustee Compliance</u>	<u>Kinds of Investment</u>	<u>Balance between Investments</u>	<u>Risk & Risk Management</u>	<u>Expected Return</u>	<u>Realisation of Investments</u>
<u>Financially Material Considerations</u>	<u>Non-Financial Matters</u>	<u>Stewardship</u>	<u>Compliance with & review of SIP</u>	<u>Investment Committee Terms of Reference</u>	<u>Current Asset & Geographical Split</u>

1. Introduction

This is the Statement of Investment Principles (“SIP”) produced by the Trustees of The Lewis Workplace Pension Trust (“TLWPT” or “the Scheme”) in accordance with all relevant legislation, Pensions Act 1995 (as amended), and best-practice guidance. The SIP outlines the principles governing investment decisions made by the Trustees for the scheme’s assets.

The SIP is subject to periodic review by the Trustees at least every three years and more frequently as appropriate.

In preparing this Statement, the Trustees have consulted with the principal employer to the Scheme, Lewis & Co (Investments & Pensions) Ltd, and have received written advice from Lewis Capital Management Ltd (“LCM” or “the Adviser”), whom the Trustees consider to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments to create sustainable value for members, including the need for diversification, given the circumstances and demographics of the Trust, and the principles contained within this SIP.

On joining TLWPT, members have the opportunity to meet with a regulated financial adviser to ascertain their attitude to investment risk and retirement goals. Having completed the risk assessment they are able to choose which investment portfolio would best suit their circumstances. Where a member is auto enrolled but does not wish to choose a self-select model portfolio, contributions are allocated to the default investment arrangement (“the Default Strategy”). Members have the opportunity to make additional voluntary contributions via their payroll above the minimum contribution levels, as set out by auto enrolment, and these are directed to the same investment choice as their regular contributions, for example the Default Strategy.

Given the structure of TLWPT investments, this SIP relates to the Default Strategy except where specific reference is made to self-select options.

<u>Introduction</u>	<u>Governance</u>	<u>Aims & Objectives</u>	<u>Investment Strategy</u>	<u>Investment Powers</u>	<u>Investment Committee</u>
<u>Trustee Compliance</u>	<u>Kinds of Investment</u>	<u>Balance between Investments</u>	<u>Risk & Risk Management</u>	<u>Expected Return</u>	<u>Realisation of Investments</u>
<u>Financially Material Considerations</u>	<u>Non-Financial Matters</u>	<u>Stewardship</u>	<u>Compliance with & review of SIP</u>	<u>Investment Committee Terms of Reference</u>	<u>Current Asset & Geographical Split</u>

2. Governance

It should be noted that the Trustees retain the ultimate responsibility for all assets and investment decisions in relation to TLWPT.

An Investment Governance Process is put in place to assess performance against the Best Practice principles, and where appropriate, take steps to improve the quality of the investment decision-making, pension fund governance and processes. In particular:

- The Investment Strategy is determined by the Trustees on the written advice of Lewis Capital Management ("the Advisor").
- The Investment Committee meets monthly to review TLWPT investments. The Trustees review the Scheme's investment strategies, asset allocation and fund choices offered to members quarterly and take advice from LCM as deemed required. The Advisor provides a quarterly investment report on each fund and/or portfolio model the schemes members are invested in. Before revising the SIP, the Trustees will obtain and consider the written advice of LCM, unless such amendments are required due to changes in legislation.

- The Trustees receive a quarterly review of the investment performance of each Investment Manager which is circulated to participating employers.



<u>Introduction</u>	<u>Governance</u>	<u>Aims & Objectives</u>	<u>Investment Strategy</u>	<u>Investment Powers</u>	<u>Investment Committee</u>
<u>Trustee Compliance</u>	<u>Kinds of Investment</u>	<u>Balance between Investments</u>	<u>Risk & Risk Management</u>	<u>Expected Return</u>	<u>Realisation of Investments</u>
<u>Financially Material Considerations</u>	<u>Non-Financial Matters</u>	<u>Stewardship</u>	<u>Compliance with & review of SIP</u>	<u>Investment Committee Terms of Reference</u>	<u>Current Asset & Geographical Split</u>

3. Aims & Objectives

The primary objective of the Trust is to accumulate, on a defined contribution basis, benefits for members seeking to preserve and grow capital by more than the Consumer Price Index (“CPI”) over the long term, for their retirement or benefits for their dependents on death before retirement. The Trustee’s preferred inflation measure is Consumer Price Index (CPI).

The aims and objectives of the Default Strategy are to provide an investment strategy that is intended for those members that do not wish to make their own investment decisions. The Default Strategy aims to generate returns above inflation while members are some distance from retirement and then to switch automatically and gradually to lower risk as members draw nearer to taking their accumulated benefits.

In relation to the self-select investment options, the Trustees make available a range of funds and portfolio models with the objective to provide an investment strategy that is tailored to an individual member’s attitude to risk and retirement goals.

- **Cautious Portfolio** - Member recognises that some element of risk needs to be taken to see contributions grow in real terms. A portion of their contributions will be invested in equities with the remainder in lower-risk investments.

- **Moderate Portfolio** - Member is happy, in general, to accept moderate volatility for the chance to see funds produce long term real returns. Most of their contributions will be invested in equities with a small proportion in more adventurous sectors, such as the ‘Far East’ or ‘Emerging Markets’. The member understands that they may suffer increased losses as well as benefiting from increased gains on this part of their investment.
- **Speculative Portfolio** - The Member sees risk as a means to an end and is happy to accept increased volatility for the chance of higher long-term returns. Along with conventional equities, they may wish to invest in more adventurous sectors, such as the ‘Far East’ or ‘Emerging Markets,’. They understand that they may suffer increased losses as well as benefiting from increased gains.

Decumulation options are currently provided outside the current trust structure with regulated financial advice from the scheme strategist as a member option. This is currently under review with the Trustees intention to provide decumulation options within the trust following the introduction of pension freedoms.

Introduction	Governance	Aims & Objectives	Investment Strategy	Investment Powers	Investment Committee
Trustee Compliance	Kinds of Investment	Balance between Investments	Risk & Risk Management	Expected Return	Realisation of Investments
Financially Material Considerations	Non-Financial Matters	Stewardship	Compliance with & review of SIP	Investment Committee Terms of Reference	Current Asset & Geographical Split

4. Investment Strategy

The aims and objectives of the Default Strategy and the policies mentioned below (together “the Default Strategy”) are intended to ensure that assets are invested to provide appropriate outcomes for members retiring in different years. The Default Strategy is intended to ensure that assets are invested in the best interest of the group or persons consisting of relevant members and relevant beneficiaries.

A choice of Model portfolios / self-select funds are available to members who wish to have a more proactive approach and do not wish to invest pension contributions in the default option.

The [current Asset & Geographical split](#) document details the current Default Strategy asset allocation and the geographical split for the lifestyle options. It also provides asset allocation and geographical split details for the self-select model portfolios.

Targeting investment returns in excess of inflation after all charges over the long term. Refer to the Blended Model Portfolio section of the current Asset & Geographical split document which details the construction of the Scheme’s portfolios and the agreed benchmarks.

The Full Trustees Board monitor the Default and its performance quarterly and annually carry out a formal investment strategy review. However, changes are made without delay where there has been a significant change in investment policy, or it has been

identified that the demographic profile of member circumstances and attitudes have changed.

The performance of the investment managers will be monitored at each Trustee quarterly meeting to monitor both short term and long -term performance.

With written advice from the Advisor, the Trustees ensure that the Default Strategy meets the aims and objectives as follows:

- The contributions of auto enrolled new members to the Trust who do not indicate their investment preferences to the Trustees are allocated to the Default Strategy.
- The Default Strategy has been designed to accommodate, in what the Trustee believe to be, the best interests of the majority of the members based on the demographics of TLWPT membership.
- The Default Strategy’s initial growth phase is invested to target a return above inflation, and then in the 6 years running up to retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members who are undecided on how to draw benefits at retirement.

<u>Introduction</u>	<u>Governance</u>	<u>Aims & Objectives</u>	<u>Investment Strategy</u>	<u>Investment Powers</u>	<u>Investment Committee</u>
<u>Trustee Compliance</u>	<u>Kinds of Investment</u>	<u>Balance between Investments</u>	<u>Risk & Risk Management</u>	<u>Expected Return</u>	<u>Realisation of Investments</u>
<u>Financially Material Considerations</u>	<u>Non-Financial Matters</u>	<u>Stewardship</u>	<u>Compliance with & review of SIP</u>	<u>Investment Committee Terms of Reference</u>	<u>Current Asset & Geographical Split</u>

4. Investment Strategy /cont'd

- The Advisor may recommend investment managers who invest in the following asset classes; Global Equities and Equity Indices, Commodities, Fixed Income, Cash and Money Market Funds and Commercial Property.
- The Trustees for both the Default Strategy and Model portfolios, have agreed the appropriateness of the asset allocation benchmarks, performance benchmarks and the various controls adopted by each of the investment managers in managing the funds in which members can invest.

Since the Trust is also designed to provide a self-select investment approach, with that in mind, the Trustees make available a range of funds and portfolio models which they believe provide appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.



<u>Introduction</u>	<u>Governance</u>	<u>Aims & Objectives</u>	<u>Investment Strategy</u>	<u>Investment Powers</u>	<u>Investment Committee</u>
<u>Trustee Compliance</u>	<u>Kinds of Investment</u>	<u>Balance between Investments</u>	<u>Risk & Risk Management</u>	<u>Expected Return</u>	<u>Realisation of Investments</u>
<u>Financially Material Considerations</u>	<u>Non-Financial Matters</u>	<u>Stewardship</u>	<u>Compliance with & review of SIP</u>	<u>Investment Committee Terms of</u>	<u>Current Asset & Geographical Split</u>

5. Investment Powers & Compliance

Section 36 of the Pensions Act 1995 requires that, in summary, trustees must exercise their powers of investment in accordance with regulations and in accordance with advice as to suitability before investing and periodically thereafter when retaining an investment. Any fund manager to whom any discretion has been delegated must exercise the discretion accordingly.

Trustees (or the fund manager to whom any discretion has been delegated) must also, under Section 36 of the Pensions Act 1995, exercise their powers of investment with a view to giving effect to the principles contained within this SIP, so far as reasonably practicable. In the event of a potential conflict of interest the assets need to be invested for the sole interest of members.

The Trustee is ultimately responsible for the governance and investment of TLWPT member assets.

5.1 Investment Committee

The Trustee has established an investment Committee to monitor and provide oversight on TLWPT investment issues. The role and responsibilities are provided for in the [Investment Committee Terms of Reference](#).



Introduction	Governance	Aims & Objectives	Investment Strategy	Investment Powers	Investment Committee
Trustee Compliance	Kinds of Investment	Balance between Investments	Risk & Risk Management	Expected Return	Realisation of Investments
Financially Material Considerations	Non-Financial Matters	Stewardship	Compliance with & review of SIP	Investment Committee Terms of Reference	Current Asset & Geographical Split

5.2 Trustee Compliance

Section 6 of TLWPT Trust Deed and Rules, dated 25th January 2013, provide the Trustees with the sole power to invest the Scheme assets. The Trustees' policy for ensuring compliance with the requirements of section 36 of the Pensions Act 1995 is as follows:

- Delegation to investment managers / investment houses:** The Trustee and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this SIP, so far as is reasonably practicable. This is provided for under the terms of delegation. The investment managers' primary role is the day-to-day investment management of TLWPT investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities. The Trustees and investment committee are satisfied that the appointed investment managers have sufficient expertise and experience to carry out their role. The appointment, monitoring and dismissal of investment managers is the responsibility of the Trustees with oversight by the investment committee. The Trustees aim to achieve best value for money for members when appointing an investment manager.
- Choosing investments:** TLWPT invests in pooled funds. The Trustees have regard to the best interests of members and beneficiaries, conflicts of interest (if any), security, quality, liquidity and profitability of the portfolio as a whole, requirements that the assets of TLWPT must consist predominantly of investments admitted to trading on regulated markets (and any unregulated investments should be kept to a prudent level), proper diversification so as to avoid accumulations of risk in the portfolio as a whole and excessive risk concentration, constraints on derivative investments. The investments held in TLWPT are monitored by the investment committee on a monthly basis and any concerns regarding but not exhaustively liquidity and security of assets held will be reported to the Trustee immediately.
- Suitability:** The funds in which members invest are pooled funds, which the Trustees believe are appropriate given the size and nature of TLWPT. Other than for passive, or index tracking funds, the manager of each pooled fund has discretion over the choice of individual stocks and securities and is expected to maintain a diversified portfolio within each fund. The Trustees are satisfied that they are offering a sufficiently wide range of options to satisfy the combinations of return and risk which will meet the requirements of most members.
- Environmental, Social and Governance:** The Trustees have a duty to act in the best long-term interests of the Scheme's Members. In this role, the Trustees believe that environmental, social and governance ("ESG") issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time), refer to Section 5.8 below.

<u>Introduction</u>	<u>Governance</u>	<u>Aims & Objectives</u>	<u>Investment Strategy</u>	<u>Investment Powers</u>	<u>Investment Committee</u>
<u>Trustee Compliance</u>	<u>Kinds of Investment</u>	<u>Balance between Investments</u>	<u>Risk & Risk Management</u>	<u>Expected Return</u>	<u>Realisation of Investments</u>
<u>Financially Material Considerations</u>	<u>Non-Financial Matters</u>	<u>Stewardship</u>	<u>Compliance with & review of SIP</u>	<u>Investment Committee Terms of Reference</u>	<u>Current Asset & Geographical Split</u>

5.2 Trustee Compliance - Cont'd

- **Advice:** Before investing in any investment and in relation to retention of investments the Trustees obtain written advice from the Scheme Adviser and Investment Committee. The nature of advice and associated process is set out more generally in this SIP.
- **Default specific:** The Trustees have regard to the best interests of members and beneficiaries and in the case of a potential conflict of interest, act in the sole interest of those members and beneficiaries. Any conflicts are disclosed by the relevant party as a standard Trustee Meeting agenda item or / and Individuals are invited to highlight any they may be aware of; as set out in the Trustee Policy and Procedure for Managing Conflicts of Interest Policy.
- **Monitoring:** In selecting the default strategy and model portfolios, available to members, the Trustees have provided a range with benchmark asset allocations that are reviewed on a regular basis. The Trustees monitor investments and investment options on a quarterly basis and review the Advisor's adherence to the SIP. In addition, the Trustees review the performance of TLWPT investments on a quarterly basis and receive copies of the monthly investment committee review minutes.

5.3 Kinds of Investment

The investment managers may invest in UK and overseas investments including Global Equities and Equity Indices, Commodities, Fixed Income, Cash and Money Market Funds and Commercial Property. The investments held in each fund (default strategy or self-select investments) will depend on the nature of each fund, its objective, benchmark and the risk controls which operate. Within each fund, the proportions held at any time in each asset class or geographic region will reflect the manager's views relative to the benchmark for that fund.

5.4 Balance between different kinds of Investment

For each fund, the benchmark and guideline controls reflect the Trustees' views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk for that fund's strategic aim.

Introduction	Governance	Aims & Objectives	Investment Strategy	Investment Powers	Investment Committee
Trustee Compliance	Kinds of Investment	Balance between Investments	Risk & Risk Management	Expected Return	Realisation of Investments
Financially Material Considerations	Non-Financial Matters	Stewardship	Compliance with & review of SIP	Investment Committee Terms of Reference	Current Asset & Geographical Split

5.5 Risk & risk management

Since the Trust is defined contribution in nature, investment risk is ultimately borne by the members. The Trustees have taken into account members' circumstances and considered ways of managing / monitoring risks. Some of these risks will be more relevant to particular sections of members. These include:

- The expected/perceived range of members' attitudes to risk and term to retirement.
- The risk that market movements in the years prior to retirement might lead to a substantial reduction in size of a member's pot - in the Default Strategy this is managed via gradual de-risking of the assets held as members approach retirement age.
- Environmental, social and governance risks - these risk factors are likely to have a significant effect on the long-term performance of the assets TLWPT holds. As deemed necessary these factors will be considered in the investment process as detailed below in section 5.8, 5.9 and 5.10 below.
- The potential impact of inflation - investments do not provide a return at least in line with inflation thus eroding the purchasing power of the members retirement fund. The Trustees have made available investment options that invest predominantly in equities that are expected to provide a long-term rate of return in excess of inflation. The Default Strategy invests in these prior to the de-risking phase before retirement age.
- Conversion risk - The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the Default Strategy lifestyle arrangement the proportion of assets that are expected to be less volatile are increased to try and provide more certainty to members when accessing their retirement fund.
- Concentration risk - Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- Liquidity risk - as TLWPT invest only in pooled investments this is not deemed a risk at present but if the position changes the Trustee will monitor this.
- Operational risk -The risk of fraud, poor advice, errors, administrative failure or acts of negligence. The Trustees have sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.
- Loss of investment - The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements. The Trustee undertake a review of the internal

<u>Introduction</u>	<u>Governance</u>	<u>Aims & Objectives</u>	<u>Investment Strategy</u>	<u>Investment Powers</u>	<u>Investment Committee</u>
<u>Trustee Compliance</u>	<u>Kinds of Investment</u>	<u>Balance between Investments</u>	<u>Risk & Risk Management</u>	<u>Expected Return</u>	<u>Realisation of Investments</u>
<u>Financially Material Considerations</u>	<u>Non-Financial Matters</u>	<u>Stewardship</u>	<u>Compliance with & review of SIP</u>	<u>Investment Committee Terms of Reference</u>	<u>Current Asset & Geographical Split</u>

5.5 Risk & risk management–cont’d

controls and processes of each of the investment managers where necessary.

- Currency risk - Some of the funds made available to members by the Trustees can invest in overseas assets which will be denominated in currencies other than Sterling. There is therefore a risk that the relative movements of Sterling and other currencies lead to losses (or gains) in the value of the investment.

These risks are measured, managed and reported on by the Investment Committee with oversight by the full Trustee Board.



5.6 Expected return on investments

The objective of the selected funds is to achieve an attractive real return over the long term within each portfolio’s accepted risk profile, see Section 3 above. The Trustees, following receipt of written advice from the Advisor and or the investment committee, will determine the targets for each manager and monitor their performance using quarterly independent reports.

The Default is a passive fund which tracks a number of major indices. However, the Trustees believe it is desirable, for the Self-Select portfolios, to balance return and risk and this is measured against agreed benchmarks. In the longer term this approach is expected to produce overall returns in excess of those of the relevant market indices.

The investment committee meet on a monthly basis to monitor and assess the investments held and report to the Trustee at least quarterly, or more frequently if required.

The Trustees monitor the performance of each investment manager within each available portfolio against those benchmarks quarterly in order to review performance.

<u>Introduction</u>	<u>Governance</u>	<u>Aims & Objectives</u>	<u>Investment Strategy</u>	<u>Investment Powers</u>	<u>Investment Committee</u>
<u>Trustee Compliance</u>	<u>Kinds of Investment</u>	<u>Balance between Investments</u>	<u>Risk & Risk Management</u>	<u>Expected Return</u>	<u>Realisation of Investments</u>
<u>Financially Material Considerations</u>	<u>Non-Financial Matters</u>	<u>Stewardship</u>	<u>Compliance with & review of SIP</u>	<u>Investment Committee Terms of Reference</u>	<u>Current Asset & Geographical Split</u>

5.7 Realisation of investments

The majority of assets held within the pooled funds are held in equities and liquid, exchange traded assets which are quoted on major stock markets and regulated exchanges and may be realised as required. The investment managers have discretion over the timing of divestment of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments. The Trustees' policy is to select investments that offer daily dealing to enable members to readily realise and change their investments.



<u>Introduction</u>	<u>Governance</u>	<u>Aims & Objectives</u>	<u>Investment Strategy</u>	<u>Investment Powers</u>	<u>Investment Committee</u>
<u>Trustee Compliance</u>	<u>Kinds of Investment</u>	<u>Balance between Investments</u>	<u>Risk & Risk Management</u>	<u>Expected Return</u>	<u>Realisation of Investments</u>
<u>Financially Material Considerations</u>	<u>Non-Financial Matters</u>	<u>Stewardship</u>	<u>Compliance with & review of SIP</u>	<u>Investment Committee Terms of Reference</u>	<u>Current Asset & Geographical Split</u>

5.8 Financially material considerations

In relation to TLWPT, the Trustees have a duty to act responsibly with regards to the assets it holds on behalf of the members and seeks to manage financially material considerations to safeguard sustainable long term returns. Financially material considerations can include (but are not limited to) environmental, social and governance (“ESG”) considerations (including but not limited to climate change), that the Trustees consider financially material. The Trustees aim to apply Industry Standard Principles and they commit to the following:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will choose fund managers with policies for managing financially material considerations including climate change;
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- For passively managed funds, the Trustee recognises that the funds’ objectives are to deliver returns in line with its benchmark that may or may not take into account ESG factors, that will deliver appropriate risk adjusted returns;

- For all funds, the Trustee expects fund managers to engage with companies in which the fund invests to encourage business strategies and decisions that should improve or protect the value of those investments; and
- We will work together to enhance our effectiveness in implementing the Principles within the investment industry.

Financially material considerations are assessed and monitored by the Adviser, LCM, for example requesting investment managers historic voting details and review their investment analysis and decision process.

The relative importance of these factors compared to other factors will depend on the asset class being considered. The Trustees consider these to be financially material over a period of 30 to 40 years, being the length of time that the Trustees consider is necessary for the funding of future benefits by the investments of the scheme.

Introduction	Governance	Aims & Objectives	Investment Strategy	Investment Powers	Investment Committee
Trustee Compliance	Kinds of Investment	Balance between Investments	Risk & Risk Management	Expected Return	Realisation of Investments
Financially Material Considerations	Non-Financial Matters	Stewardship	Compliance with & review of SIP	Investment Committee Terms of Reference	Current Asset & Geographical Split

5.9 Non-financial matters

Non-financial matters are not taken into account in the selection, retention and realisation of investments. For this purpose, non-financial matters mean the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Scheme.

The Trustee will consider periodically the characteristics of the membership and ascertain members' views on non-financial factors relating to TLWPT investments. However, while the Trustee will consider members' views when reviewing the suitability of TLWPT investment options and choice of funds used, the Trustee will not be bound by the members' views (for example if it is impracticable to do so).

TLWPT offers a choice of funds (ESG and ethical) for members who are likely to hold stronger views in these areas than the majority of members.

The Trustees note that non-financial factors can affect various investment risks and may under-perform other funds with broader-based investment approaches. Investment managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Scheme's investment objectives.



Introduction	Governance	Aims & Objectives	Investment Strategy	Investment Powers	Investment Committee
Trustee Compliance	Kinds of Investment	Balance between Investments	Risk & Risk Management	Expected Return	Realisation of Investments
Financially Material Considerations	Non-Financial Matters	Stewardship	Compliance with & review of SIP	Investment Committee Terms of Reference	Current Asset & Geographical Split

5.10 Stewardship

In relation to the exercise of the rights (including voting rights) attaching to the investments and in undertaking engagement activities in respect of the investments:

- a. Trustees have delegated the day-to-day management of the underlying fund composition to investment managers under their terms of business.
- b. The investment managers have full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to TLWPT investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.
 - Investment managers are expected and encouraged to evaluate ESG factors, including climate change considerations and where this is not evidenced the Trustees will consider the impact on long term returns; and
 - The Investment Committee will request information from investment managers in respect of their voting policies and historic voting practices to ensure the Scheme's aims and objectives are met.

- The Trustees are committed to a transparent approach and as such the Trustees report to their members and other relevant parties on its responsible investment activities.

6. Compliance with and review of this Statement

This Statement is reviewed by the Trustees in response to any material change to any aspect of the investment arrangements as detailed, in conjunction with the participating Employers, Advisers and Investment Managers. Any review will be based on written, professional advice by an appropriately qualified adviser.

Compliance with this Statement is reviewed at a Trustees meeting, to be held annually. Providing clear and concise information for all stakeholders of the Trustee investment approach will aim to promote confidence in using TLWPT.

A copy of this Statement will be made available for inspection to employers, TLWPT members, the investment managers and the Trust auditors on TLWPT website and in writing on request.

The Lewis Workplace Pension Trust–Investment Committee Terms of Reference

1. Constitution and Purpose

The Trustees of The Lewis Workplace Pension Trust (“the Trustees”) have established an Investment Committee (“the Committee”). This document sets out the powers that are delegated to this Committee.

The purpose of the Committee is to provide technical investment support, assistance and guidance to the Trustees in both their day to day activities and in meeting their strategic investment objectives by providing recommendations for changes to the asset allocation.

2. Authority

The Committee has no delegated powers other than those specified in these Terms of Reference.

3. Membership

A Committee meeting quorum will comprise of a minimum of three members and must always include Trustee Representation. The representatives will be one Trustee Representative, one representative of Lewis Capital Management Limited, the Investment Adviser, and one representative from Lewis Investment representing the Scheme Financial Advisers.

The Committee may also invite such other persons to its meetings to observe, report, answer questions or make presentations, as it deems necessary.

The membership structure may be reviewed from time to time and is subject to an annual review by the Trustees to ensure that it meets the evolving needs of the Scheme.

4. Responsibilities and objectives

The Committee shall, in relation to:

- (a) **Investment policy**, determine and agree with the Trustees the Scheme’s Statement of Investment Principals (“SIP”); and shall monitor the implementation of the Scheme’s investment policy and investment procedures.
- (b) **Management reports**, receive investment reports from Lewis Capital Management Limited in a form approved by the committee.
- (c) **Compliance**, monitor compliance with legislation, rules and regulations affecting the Scheme’s investment activities.
- (d) **Monitor** the performance of the default and model portfolio funds against agreed risk-based benchmarks.

The Lewis Workplace Pension Trust – Investment Committee Terms of Reference

- (e) Advisers and managers, consider candidates for appointment as external investment advisers, managers of the Scheme's investments and/or custodians, and to make recommendations to TLWPT Trustees for approval including agreeing remuneration, approving engagement terms; and monitor the performance of such persons.
- (f) Investment proposals, consider all investment and divestment proposals. Where Trustee approval is so required, the committee will make recommendations to the Trustee Board in relation to each such proposal.
- (g) Committee review, at least once a year, review its own performance, composition and terms of reference to ensure that it is operating effectively and recommend any changes that it considers necessary to the board for approval.
- (h) Other matters, investigate any matter or take any other action required by the board.

5. Meetings

The Committee shall meet Monthly and more frequently on an ad-hoc basis as and when required. Attendance at the meeting may be by teleconference or videoconferencing at the discretion on the Trustees.

For the transaction of its business, three members of the Committee shall constitute the quorum ("Quorum"). If it is necessary to resolve an issue at a meeting of the Committee by way of a vote, this shall be determined by a majority of the votes of the Members present. The person presiding shall have a second casting vote.

6. Declaration of Interests

All members must declare any actual or potential conflicts of interest relevant to the work of the Committee, which shall be recorded in the Minutes accordingly. Members should exclude themselves from any part of a meeting in which they have a material conflict of interest.

7. Standing Agenda Items

Standing items will be:

- Conflicts of Interest
- Performance of the default and model portfolios against the agreed benchmarks
- Risks associated with investment
- Asset allocation
- Investment Changes
- New Scheme Investments



The Lewis Workplace Pension Trust–Investment Committee Terms of Reference

8. Minutes

Minutes of each meeting will be prepared and be circulated to all members of the committee, TLWPT Trustees and any invited attendees, if appropriate, unless a conflict of interest exists.

9. Reporting

Following the Monthly meeting the Committee shall produce a formal written report making whatever recommendations to the Trustee Board it deems appropriate on any area within its remit where action or improvement is needed.

TLWPT Asset & Geographical Split

To view the current Asset & Geographical Split please [CLICK HERE](#).

