

Implementation Statement, covering the Scheme Year from 6 April 2023 to 5 April 2024 (the “Scheme Year”)

The Trustee of the Selfridges Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-9 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 9 below.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

This Statement is based on, and should be read in conjunction with, the SIP that was in place during the Scheme Year (ie the July 2020 SIP). The July 2020 SIP is available at this website: <http://selfridges.pensioncharges.com/documents/>, alongside an updated SIP, finalised after the Scheme Year end, in June 2024.

1. Introduction

No review of the SIP was undertaken during the Scheme Year. The last time the SIP was formally reviewed was July 2020. The Trustee was in the process of reviewing the investment strategy at the year end and carried out a review of the SIP following the end of the year. After consultation with the Sponsor, a new SIP was finalised in June 2024. The Trustee has, in its opinion, followed all of the policies in the Scheme’s SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

2. Investment objectives

Progress against the Scheme’s funding position on several bases, including the long-term journey plan, is reviewed as part of the quarterly performance monitoring reports. The Trustee is also able to view the progress on an ongoing basis using LCP Visualise online (a tool provided by the Scheme’s investment adviser which show key metrics and information on the Scheme including expected return and risks of the investment strategy).

As at 5 April 2024 the Scheme was fully funded on a technical provisions and gilts + 0.5% pa basis, and was close to fully funded on an indicative buyout basis. In November 2023, the Trustee reviewed its long-term funding objective in light of recent improvements to its funding position. The Trustee has agreed its long-term funding objective to move to and maintain a fully funded position on a buy-out basis in the medium term. The Trustee remains comfortable that the level of risk and expected returns remains appropriate. The Trustee updated its SIP to reflect these changes following the Scheme Year.

The investment objective for the DC Section is to provide members with access to an appropriate range of investment options, reflecting the membership profile of those in the DC policy and the variety of ways that members are likely to draw benefits in retirement.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the sponsoring employer, reviewed its investment strategy in November 2023. This review was in light of recent improvements to its funding position and the initial results of the 5 April 2023 actuarial valuation. As part of this review, the Trustee agreed to implement the following changes:

- Review the investment strategy on an annual basis and make necessary changes to successfully achieve the Scheme’s long-term funding objective. The first annual review took place after the Scheme Year-end in May 2024.

- Increase the interest rate and inflation hedging to a more prudent basis, by targeting hedging 100% of its gilts + 0.5% pa liabilities. This was completed within the Scheme Year.
- Ensure a suitable level of liquidity in the Scheme's assets to be able to fund benefit payments and collateral for the Scheme's LDI portfolio. This was implemented by agreeing to reduce the allocation to the Scheme's illiquid assets and will be implemented in the Scheme Year to April 2025, taking into account the redemption timescales of the illiquid funds held by the scheme

As part of this review, the Trustee made sure the Scheme's assets were adequately and appropriately diversified between different asset classes.

The Trustee monitored the asset allocation on a quarterly basis and compared this to the strategic asset allocation. Ahead of the finalisation of the investment strategy review in November 2023, the Trustees took the decision to make disinvestments from some of the illiquid allocations (property and infrastructure), to ensure appropriate levels of liquidity and LDI collateral were maintained. These decisions were taken following recommendations from the investment adviser, taking into account the initial work that had been completed on the investment strategy review, the initial results of the actuarial valuation and to taking into account the notice periods that applied to the illiquid funds. The sponsor was also consulted before these deviations from the strategic asset allocation were implemented.

Disinvestments to meet the Scheme's cash flow requirements were taken from cash held as collateral in the Scheme's LDI portfolio and projected cashflows are taken into account when considering the appropriate level of collateral being held and maintained.

4. Considerations in setting the investment arrangements

When the Trustee reviewed the DB investment strategy in November 2023, it considered the investment risks set out in Section 4.1 of this Statement. It also considered a wide range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustee also considered the need for diversification and specific circumstances of the Scheme (eg the investment objectives, funding position, level of contributions and strength of the sponsor covenant).

The Trustee last formally reviewed its investment beliefs in August 2019. As part of this, the investment adviser held a training session which gathered the opinions of the Trustee directors.

The Trustee invests for the long term, to provide for the Scheme's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustee therefore seeks to appoint managers whose stewardship¹ activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Scheme's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of regarding the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustee monitors the performance of the Scheme's investment managers on a quarterly basis, using a monitoring report prepared by the investment adviser. The report shows the performance of each fund, and the total Scheme, over the quarter, one year, three years, five years and since inception. Performance is considered in the context of the manager's benchmark and objectives. The Trustee also monitors its managers' responsible investment capabilities using scores provided by its investment adviser, on a quarterly basis as part of the standard monitoring reports.

4.1 Policy towards risk

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register, and this is discussed at quarterly meetings.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustee by the Scheme's investment managers. These include the risk of inadequate returns, credit risk, equity risk, currency

¹ The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

risk, collateral adequacy risk and ESG (including climate) risks. The Trustee's implementation of its policy for these risks during the year is summarised below.

The Trustee invests the assets of the DB Section of the Scheme to produce a sufficient long-term return to meet the DB Section liabilities. There is a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been considered in setting the investment strategy and has been monitored by the Trustee throughout the Scheme Year.

The Scheme's interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. As highlighted in Section 3, the Trustee rebalanced its hedging portfolio over the Scheme Year to increase its interest rate and inflation hedging to 100% of gilts + 0.5% pa liabilities.

With regard to collateral adequacy risk, the Trustee holds sufficient cash within its bespoke LDI portfolio, to be used should the LDI manager require cash to be posted for a deleverage event. In addition to this, the Trustee invests in a range of liquid credit assets, which can be easily redeemed from should further cash be required from the LDI portfolio. As at the Scheme Year-end, the Scheme held more than enough liquid assets to meet the next capital call on the LDI funds.

Together, the investment and non-investment risks give rise generally to funding risk. During the year, the Trustee formally reviewed the Scheme's funding position as at 5 April 2023 as part of its triannual actuarial valuation, which included a review of the technical provisions funding basis. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings, and the Trustee has the ability to monitor this daily on LCP Visualise.

With regard to the risk of inadequate returns in the DC section, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These funds are expected to produce adequate real returns over the longer term. The Trustee monitors the funding position and returns of these funds on a quarterly basis.

The following risks are covered elsewhere in this Statement: strategic risk in Section 4, inadequate long-term returns in Section 4.1, investment manager risk in Section 5, risk from lack of diversification in Section 5, liquidity risk in Section 6 and ESG risks in Section 7.

5. Implementation of the investment arrangements

The Trustee has not appointed any new investment managers over the Scheme Year.

The Trustee evaluates manager performance over both shorter and longer periods, encourages managers to improve practices and considers alternative arrangements where managers are not meeting performance objectives. Section 8 provides more detail on the activities carried out over the year.

The Trustee undertook a "value for members" assessment in October 2023 for the Scheme Year to 5 April 2023 which assessed a range of factors, including the fees payable to managers in respect of the DC Section which were found to be reasonable when compared against Schemes with similar sizes of mandates. The review was carried out as part of the production of the DC Chair's statement. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.

6. Realisation of investments

The Trustee reviews the Scheme's net current and future cashflow requirements on a regular basis. The Trustee's policy is to have access to sufficient liquid assets in order to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

Over the Scheme Year, the Scheme's illiquid fund managers made no capital calls. The Trustee monitors the Scheme's liquidity on a quarterly basis, as part of the monitoring reports that it receives.

It is the Trustee's policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustee offered during the Scheme Year are daily priced.

7. Financially material considerations, non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations).

Over the Scheme Year the Trustee reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. The RI scores are reviewed as part of the performance monitoring reports on a quarterly basis and updated based on the most recent meeting with the respective managers. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. Further details of the Trustee's monitoring of and engagement with managers to improve ESG practices is included in Section 8 below.

The Trustee has adopted three stewardship priorities that closely align with the sponsoring employer's own sustainability priorities. These are outlined in more detail in Section 8.

No specific actions have been taken in relation to the selection, retention, and realisation of managers as a result of member and beneficiary views.

Within the DC Section, the Trustee recognises that some members may wish for ethical matters to be taken into account in their investments. However, an ethical investment fund is not currently part of the Utmost range.

8. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with managers and escalating as necessary as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus engagement with their investment managers on specific ESG factors. The Trustee discussed and agreed the stewardship priorities for the Scheme (Climate Change, Human Rights and Biodiversity Loss) at the March 2023 meeting.

The Trustees noted that these priorities align with the sponsoring employer's own sustainability priorities. The Trustee communicated these priorities to its managers in April 2023. The communication noted that the priorities were selected as they are key market-wide risks and areas where the Trustee believed that good stewardship and engagement can improve long-term financial outcomes for the Scheme's members. In relation to climate change, the communication endorsed the expectations that the Trustee's investment adviser, LCP, had set for investment managers in relation to net zero emissions in asset management – i.e. setting net zero targets and working to achieving that in various ways.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

9. Description of voting behaviour during the Scheme Year

The SIP notes that the Scheme's DB investments are all units of pooled funds and therefore the Trustee does not have any direct voting rights and has not used proxy voting services during the Scheme Year; the voting rights are indirect as they pertain to the underlying investments within the pooled funds. Hence, in effect the Trustee has delegated the voting rights to the investment managers of the pooled funds.

The Trustee has communicated its stewardship priorities to its asset managers and had ongoing discussions with the managers on these. The Trustee informed its managers that the areas it deemed to be most significant to vote and engage on were those areas that related to the stewardship priorities or were otherwise expected to be financially material. The Trustee expects its managers to decide which votes are deemed to be most significant in line with these ongoing discussions.

As at 5 April 2024, the Scheme did not invest in any funds that held listed equities within its DB holdings. In August 2018, the Trustee fully disinvested from funds that held listed equities.

The Scheme also holds Defined Contribution (DC) and Additional Voluntary Contribution (AVC) policies, which are invested in some listed equity assets. Whilst the underlying investments of the DC and AVC policies are also held in pooled funds and so the Trustee does not have any direct voting rights, voting opportunities over the Scheme Year, were delegated to the investment managers of the pooled funds within these policies. We have not been able to obtain information from the Scheme's investment managers for its DC and AVC policies with Aviva and Utmost Life. The Trustee requested and engaged with the Scheme's DC providers, Aviva and Utmost Life, to obtain voting data and commentary on significant votes, but the DC providers were unable to provide this data to the Trustee. The Trustee continues to engage with the providers on an ongoing basis to obtain this information.

The following comments were provided by the Scheme's asset managers who don't hold listed equities, but invest in assets that had voting opportunities during the period (note that Apollo is no longer held by the Scheme so the response below was obtained in the previous Scheme Year):

Alcentra European Direct Lending Fund III:

Loan and bond investments generally do not confer creditors voting rights unlike for equity holders. Where Alcentra has minority equity interests in deals it frequently isn't asked to vote as the corporate documents are set-up so that the sponsor can pass any shareholder resolutions needed without its participation in any event. Alcentra's rights are also usually limited to certain minority protections.

Where Alcentra owns companies, it exercises control by including language in the deal documentation requiring the board to seek investor consent for matters that it wants to approve as the manager. This is usually done via the Alcentra investor representative on the board (where relevant) rather than having a formal shareholder vote. Where voting rights exist, Alcentra will utilise these to demonstrate its support for initiatives that benefit its end investors in accordance with a firm-wide commitment to furthering the development of ESG and honouring its position as signatories to bodies such as UN PRI and TCFD.

IFM Global Infrastructure Fund:

While the primary focus of the IFM Global Infrastructure Fund ("GIF") is to provide investors with exposure to a diversified portfolio of unlisted infrastructure assets, there are times where an opportunistic hold of a listed entity is an attractive complement to the unlisted portfolio. The acquisition of listed positions is generally motivated by gaining long-term strategic positions, with significant equity ownership, in attractive core infrastructure assets.

Currently listed exposures are confined to Atlas Arteria, Vienna Airport and Naturgy Energy, and these assets represent only three of out of a total of 23 portfolio investments as at 31 March 2024.

With regards to the voting and engagement activities between GIF and the underlying portfolio companies, the underlying holdings of GIF are private equity investments rather than public market listed equities. Our influence on such investments is made directly by IFM through IFM's Board representation on the underlying portfolio companies rather than through any form of proxy voting.

Even for the listed assets in GIF, we hold board seats. Consequently, we do not need to vote our shares to influence the board; a senior executive in IFM's Infrastructure Team is on the board. This ensures we follow an active ownership style. IFM has two board seats on the Vienna Airport Supervisory Board, one seat on the Board of Naturgy Energy, and one seat on the Board of Atlas Arteria.

Apollo Total Return Fund:

Under its investment philosophy, Apollo Global Management, LLC's affiliated registered investment advisers (the "Firm's" or "Apollo's") generally invests in a company only if Apollo believes that the company's management seeks to serve shareholders' best interests.

As a result, Apollo believes that management decisions and recommendations with respect to solicited issues generally are likely to be in the shareholders' and its client's best interests. The Chief Compliance Officer or designee shall determine whether a material conflict of interest exists between Apollo and the interests of its clients or between Apollo and its clients and portfolio company shareholders when an Apollo representative sits on the board of directors of the portfolio company that is the subject of a proxy.

If no material conflict of interest is identified, the Chief Compliance Officer or designee shall provide clearance to the proxy recipient who will coordinate with the PM or a member of the Deal Team responsible for the portfolio

company issuing the proxy. The PM or a member of the Deal Team shall instruct the proxy recipient how to vote the proxy and the proxy recipient shall retain such direction. The PM or a member of the Deal Team shall instruct that all proxies be voted in the best interests of Apollo's clients pursuant to the goals of the client's investment strategy, which is generally to achieve significant capital appreciation through investments in private companies. This may result in a decision to abstain from voting when such decision is in the best interests of Apollo's clients.

In the event that a material conflict of interest is identified, the Chief Compliance Officer or designee shall take such actions as he or she deems necessary to determine how to vote the proxy in the best interests of Apollo's clients. Depending upon the specific facts and circumstances associated with a given proxy, such actions may include consulting with: (1) Legal, (2) outside counsel, (3) a proxy consultant, or (4) PMs or Deal Team members. After such consultation, the Chief Compliance Officer or designee together with the PM or a Deal Team member shall instruct the proxy recipient how to vote the proxy and the proxy recipient shall retain such direction.

The Chief Compliance Officer or designee shall make and maintain a record describing the steps taken to address a potential material conflict of interest and the proxy recipient shall maintain records disclosing the date all proxies were voted and how they were voted.