

# *Statement of Investment Principles*

**For the Selfridges Pension Scheme**

**Effective from: 11 December 2025**



## 1. Introduction

This Statement of Investment Principles ("SIP") has been produced by the Trustee of the Selfridges Pension Scheme.

It sets out our policies on various matters governing investment decisions for the Selfridges Pension Scheme ("the Scheme"), which is a Defined Benefit ("DB").

This SIP replaces the previous SIP dated June 2024.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator's guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Scheme's investments, but which are not required to be included in the SIP.

**This Statement was approved by the Board following consultation with the sponsoring employer.**

## 2. Investment objectives

The Trustee's primary objective is to ensure that the Scheme should be able to meet benefit payments as they fall due.

In addition to this primary objective, we have the following objectives:

- that the Scheme should be fully funded on a technical provisions basis, with a secondary objective of being fully funded on an estimated buyout basis
- that the Scheme has a long-term journey plan in place to help it maintain full funding on the technical provisions and buyout bases, while maintaining sufficient liquidity to ensure that benefit payments can continue to be met as they fall due. Progress against this long-term journey plan is reviewed on a regular basis via reporting from our advisers

Our investment objective for the AVCs is to make available a suitable range of investment options to meet members' risk / return objectives.

### 3. Investment strategy

With input from our advisers and in consultation with the employer, we reviewed the investment strategy in March 2025, considering the objectives described in Section 2.

An analysis of our overall investment objectives has led us to invest the Scheme's assets in:

- a matching portfolio; and
- a return-enhancing portfolio.

The investment profile of the matching portfolio is designed to reduce, to an acceptable level, movements in the value of the Scheme's assets relative to its liabilities caused by changes in interest rates and inflation expectations, as well as provide a regular source of income to help meet benefit payments as they fall due. This includes allocations to LDI (Liability Driven Investment), various types of liquid credit assets, and money market funds. The liability basis chosen to hedge against will be reviewed regularly and updated accordingly.

The return-enhancing portfolio is invested in assets which have a greater exposure to credit risk and are expected to deliver a higher return in the longer term. It may also include allocations to less liquid assets where we deem reasonable in the context of the overall liquidity of the Scheme's assets.

Our intention is to reduce the allocation to the return-enhancing portfolio / increase the allocation to the matching portfolio over time, as progress is made against the funding objectives outlined in section 2.

There is no formal rebalancing policy. We monitor the asset allocation from time to time and we will consider with our advisers whether it is appropriate to rebalance the assets..

We have a leverage management plan in place which sets out the assets directly available to support the Scheme's LDI arrangements and the approach that is expected to be taken with regards to selling down any other assets to support the LDI arrangements. We review and update the plan periodically.

.

### 4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes. The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. Further details of specific risks (for example credit risk and currency risk) and how we measure and manage those risks is set out in Part 2 of the SIP addendum.

In setting the strategy it is our policy to consider:

- our investment objectives, including the target return required to meet these;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, the strength of the employer covenant and the liquidity of the assets; and
- the need for appropriate diversification between different asset classes to manage investment risk, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate.

In determining the investment arrangements **for the AVCs** it is our policy to consider:

- the overall best interests of members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement; and
- the need for appropriate diversification between and, where appropriate, within the investment options offered to members.

We also consider any other factors which we believe to be financially material over the applicable time horizons to the funding of the benefits, including environmental, social and governance ("ESG") factors.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- risks that do not have an expected reward should generally be avoided, hedged, or diversified;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find, and therefore passive management is usually better value;
- ESG factors should be considered when making investment decisions, and managers may be able to improve risk-adjusted returns by doing this;
- long-term environmental, social and economic sustainability is one factor that should be considered when making investment decisions;
- responsible investment in well governed companies and engaging as long-term investors can reduce risk over time and may positively impact Scheme returns; and
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

## 5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have signed agreements with the investment managers setting out the terms on which the portfolios are to be managed.

Details of the investment managers are set out in the separate SIP addendum.

We have limited influence over managers' investment practices because all the Scheme's non-LDI assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions

to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

## 6. Realisation of investments

We instruct disinvestments as required for benefit payments and other outgoings. Our preference is for investments that are readily realisable, but recognise that achieving a less volatile portfolio may mean holding some investments that are



less liquid. Our policy is to use income where possible to help meet benefit payments and other expenses.

## 7. Financially material considerations and non-financial matters

We consider how environmental, social, governance (“ESG”) considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

We influence the Scheme’s approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and periodically review how the managers are taking account of these issues in practice.

All the Scheme’s non-LDI assets are invested in pooled funds. We have limited influence over managers’ investment practices where assets are held in pooled funds, but we encourage our managers to improve their ESG practices within the parameters of their funds.

We do consider non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments. We will aim to incorporate the sponsor’s ethical investment guidelines for pension schemes, where possible. We cannot directly control the underlying investments, where investments are made via pooled funds, but will make the investment managers aware of these guidelines and will periodically review the underlying investments against these guidelines.

More generally, investment managers may also be requested by us from time to time to provide a report on the overall impact of social, environmental and ethical considerations on investment management, and to comment on situations in which social, environmental or ethical considerations have been decisive.

The over-arching aim is to assess the extent to which environmental, social and governance factors will contribute to, or detract, from the long-term value of a company.

## 8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of our members.

We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

We do not monitor or engage directly with issuers or other holders of debt or equity, but we do engage with current and prospective investment managers on matters including ESG and stewardship. We expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries. We expect the managers to communicate their policies on stewardship to us from time to time, and provide us with reporting on the results of their engagement and voting activities regularly and at least once a year.

We have selected some priority ESG themes to provide a focus for our monitoring of investment managers’ voting and engagement activities. We review the themes regularly and update them if appropriate. We communicate these stewardship priorities to our managers and also confirm our more general expectations in relation to ESG factors, voting and engagement.

If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements.