

Royal Albert Hall Pension Scheme

Statement of Investment Principles

Contents

1.	Introduction	3
2.	Choosing investments	3
3.	Investment objectives	3
4.	Kinds of investments to be held	4
5.	The balance between different kinds of investments	4
6.	Risks	4
7.	Expected return on investments.....	6
8.	Realisation of investments	6
9.	Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities	6
10.	Policy on arrangements with asset managers	6
11.	Agreement	8
Appendix 1	Note on investment policy of the Scheme	9
1.	The balance between different kinds of investment	9
2.	Choosing investments	9
3.	Fee agreements.....	11
4.	Investments and disinvestments	11
5.	Liability Driven Investment	11
Appendix 2	Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities	12
1.	Financially Material Considerations.....	12
2.	Non-financially material considerations.....	13
3.	The exercise of voting rights	13
4.	Engagement activities	13

1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the Royal Albert Hall Pension Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustees have consulted The Corporation of the Hall of Arts and Sciences, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority..
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustees are set out in Rule 15 of the Definitive Trust Deed & Rules, dated 19 December 1997. This statement is consistent with those powers.
- 1.6. The Scheme is a defined benefit pension scheme.

2. Choosing investments

- 2.1. The Trustees' policy for the Scheme is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Appendices to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives.
- 3.2. The Trustees' main investment objectives are:
 - to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;

- to achieve a long-term positive real return;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet the cost of current benefits;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.3. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as well as possible.

4. Kinds of investments to be held

- 4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.
- 4.2. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.
- 5.2. The Trustees consider the merits of both active and passive management for the various elements of the Scheme's portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 to this Statement.
- 5.3. From time to time the Scheme may hold an additional level of cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the asset allocation of the Scheme will be expected to change as the Scheme's liability profile matures.

6. Risks

- 6.1. The Trustees have considered the following risks for the Scheme with regard to its investment policy and liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities

The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.

Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	The risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustees.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and consider ESG factors, as well as climate risk, to potentially be financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Investment manager risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, whom they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities of the Scheme.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions (and the Scheme's funding position). The Trustees contact the Scheme's investment managers as frequently as is appropriate, in order to review performance.

8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the Scheme's investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. The exercise of voting rights, engagement activities and other considerations

- 9.1. The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment policies

- 10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3. The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's liabilities and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate-related risks on an annual basis.

- 10.4. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate-related risks, using the approach expected of them, their appointment may be terminated. The investment managers have been informed of this by the Trustees.
- 10.5. Investment manager ESG policies are reviewed in the context of industry best practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.6. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.
- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.8. The Trustees expect investment managers to vote and engage on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short-term targets.

Method and time horizon for assessing performance

- 10.9. The Trustees monitor the performance of their investment managers over medium- to long-term periods that are consistent with the Trustees' investment aims, beliefs and constraints.
- 10.10. The Scheme invests exclusively in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.
- 10.11. The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short-term dips in performance significantly affecting their revenue.
- 10.12. The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when a manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

- 10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the Trustees' investment monitoring process.
- 10.14. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of

contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

- 10.15. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 10.16. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Agreement

- 11.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Appendix 1 Note on investment policy of the Scheme

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Portfolio	Asset class	Allocation (%)
Growth portfolio	Equities	20
	Global equities (currency unhedged)	10
	Global equities (GBP currency hedged)	10
	Multi Asset Credit Fund	20
Protection portfolio	Liability Driven Investment	33
	Cash	27
Total		100

Rebalancing

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Liability Driven Investment Funds are designed to provide a c90% hedge against movements in interest rate and inflation protection on a gilts-flat basis. Asset allocations are expected to vary as a result of this; overall protection and growth portfolio allocations will not be automatically rebalanced. The Trustees will review whether to rebalance in light of the risk levels and expected returns in the portfolio.

Within the Growth Portfolio the Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances.

Rebalancing of the assets will be carried out primarily through the cashflows paid into and out of the Scheme. If this is not sufficient to maintain the asset allocation then rebalancing will take place at such time as is necessary.

The balance of the equity funds in relation to each other will be rebalanced automatically by Legal & General Investment Management on a weekly basis, subject to control ranges to avoid excessive trading.

2. Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Scheme:

- Legal & General Investment Management (LGIM)
- Muzinich & Co.

The investment managers are authorised and regulated by the Financial Conduct Authority. The investment benchmarks and objectives for each investment manager and AVC provider are given below:

Investment manager	Fund	Benchmark	Objective
Legal & General Investment Management	All World Equity Index	FTSE All-World	Track benchmark to within +/-0.5% p.a. for two years out of three
	All World Equity Index – GBP Currency Hedged	FTSE All-World – GBP Hedged	Track benchmark to within +/-0.5% p.a. for two years out of three
	Matching Core Funds	Gilt and swap composite indices	Provide leveraged exposure to changes in nominal and real interest rates
	Sterling Liquidity Fund	7 Day LIBID	Provide capital stability, liquidity and diversification while providing a competitive level of return
Muzinich & Co	Global Tactical Credit Fund	3-Month GBP LIBOR	+ 5% p.a. (before fees) over the typical credit cycle

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

3. Fee agreements

The fee arrangements with the investment managers are summarised below:

Investment manager	Fund	Annual Management Charge (% p.a.)
Legal & General Investment Management	All World Equity Index	0.200
	All World Equity Index – GBP Currency Hedged	0.223
	Matching Core Funds	0.240
	Sterling Liquidity Fund	0.125
Muzinich & Co	Global Tactical Credit Fund	0.400

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are normally remunerated on a fixed fee basis, although a time-cost basis may be agreed for specific tasks.

4. Investments and disinvestments

Investments will normally be made so as to move the actual asset allocation more in line with the target asset allocation. Both equity funds held with LGIM provide a variable monthly income using LGIM's Notional Income Service. This income will be used to meet regular outgoing cashflows. Where additional income is needed for these purposes the Trustees will normally disinvest from its investments in order to bring the actual allocation in line with the target allocation within the growth portfolio. However, in making these decisions consideration will also be given to market conditions and the Scheme's funding position at the relevant time.

5. Liability Driven Investment

The Trustees have instructed LGIM to manage an LDI mandate on the behalf of the Scheme through its investment in the Matching Core Fund pooled range. In order to provide a hedge for c90% of the liabilities (as measured on a gilts-flat basis), the funds are leveraged.

In order to manage the amount of leverage within the funds, LGIM will inform the Trustees of the amount of any required cash collateral call or payout. In the event of a cash collateral call (requiring the Scheme to top up the investment in the LDI funds), LGIM will automatically disinvest from the LGIM Sterling Liquidity Fund. In the event that cash collateral payouts are made from the LDI funds, LGIM will automatically pay these amounts directly into the LGIM Sterling Liquidity Fund. The Trustees will then consider on a case by case basis whether to rebalance their strategy in order to maintain an appropriate expected return and cash buffer.

Appendix 2 The exercise of voting rights, engagement activities and other considerations

1. Financially Material Considerations

In making investment decisions the Trustees consider all factors that they believe are financially material over the life of the Scheme. For example, the Trustees believe that environmental, social and governance (“ESG”) factors (including, but not limited to, climate change) are potentially financially material over the life of the Scheme and therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Scheme’s investments. The Trustees will be reliant on the information presented by the investment managers and their investment advisors regarding the extent to which an investment manager allows for ESG in making their investment decisions.

The Trustees have elected to invest the Scheme’s assets through pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. The Trustees, and the managers of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers’ ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme’s investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme’s investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme’s investment managers take account of ESG issues; and
- Through their investment consultant the Trustees will request that all of the Scheme’s investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

2. Non-financially material considerations

The Trustees do not take into account non-financial considerations in selecting investments (such as 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).

3. The exercise of voting rights

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

4. Engagement activities

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

The Scheme's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees /investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.