

WH Smith Pension Trust

Statement of Investment Principles

October 2019

Contents

- Statement of Investment Principles 1
- 1 Introduction..... 1**
- 1.1 Investment Powers 2
- 1.2 Compliance With Legislative Requirements 3
- 2 Investment Objectives, Risk, and Strategy – FSR 4**
- 2.1 Investment Objectives..... 4
- 2.2 Risk and Risk Management 4
- 2.3 Re-balancing and realisation of investments 5
- 2.4 Expected Return..... 6
- 2.5 Summary 6
- 3 Day to Day Management of the Assets of FSR..... 7**
- 3.1 Investment Managers 7
- 3.2 Permitted assets..... 7
- 3.3 Fees 8
- 3.4 Investment Manager Monitoring 8
- 3.5 Custody of Investments..... 9
- 4 Investment Objectives, Risk And Strategy - MPR..... 10**
- 4.1 Investment Objectives..... 10
- 4.2 Risk 10
- 4.3 Investment Strategy 11
- 5 Day to Day Management of the Assets - MPR 12**
- 5.1 Investment Manager Monitoring 12
- 5.2 Realisation of Investments 12
- 5.3 Custody of Investments..... 12
- 6 Additional Voluntary Contributions..... 13**
- 6.1 Investment Objective 13
- 6.2 Risk 13
- 6.3 Investment Strategy 14
- 6.4 Investment Manager Monitoring 14
- 6.5 Realisation of Investments 14
- 6.6 FSR – Additional Assets 14
- 7 Environmental, Social and Governance (“ESG”) Factors and Stewardship Error!**
Bookmark not defined.
- 8 Compliance with this Statement 17**
- Appendix 1: Investment Restrictions..... 18**

1 Introduction

WH Smith Pension Trustees Limited (“the Trustee”) of the WH Smith Pension Trust (“the Trust”) has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 2004 and prior legislation (“the Act”).

The Trustee will review this Statement regularly, and no less frequently than every three years (to coincide with the relevant formal triennial actuarial valuation of the Trust) by reference to any material changes to any aspects of the Trust, its liabilities, finances and attitude to risk, which is judged to have a bearing on the stated Investment Policy.

This Statement was previously updated in July 2015.

In 2005 the Trustee made significant changes to the Trust’s investment arrangements in order to pursue an investment strategy designed to more closely match the liabilities of the Trust over the long-term whilst retaining some exposure to equity markets via a basket of equity call options.

WH Smith PLC demerged with effect from 1st September 2006, creating two sponsors for the Trust - WH Smith PLC (“the Retail Sponsor”) and Smiths News PLC (“the News Sponsor”), collectively “the Sponsors”. The Trustee has consulted the Sponsors in preparing this Statement.

The Sponsors (together with certain other participating employers) have established, by Deed, a Sponsor Committee for the purpose of exercising any joint right, responsibility, power or discretion or making any joint decisions required under the Trust Deed. Specifically, the Sponsor Committee has been nominated by each of the Participating Employers to the Trust as its representative for the purpose of consulting with the Trustee under The Occupational Pension Scheme (Investment) Regulations 2005.

At the same time the Trust became sectionalised, with the responsibilities, rights, powers and decisions previously vested in the Principal Employer under the Rules becoming vested in the Retail Sponsor in relation to the Retail Section and the News Sponsor in relation to the News Section.

Consistent with this, the assets of the Trust were divided into two sections, the split being in proportion to the liabilities of the Retail Section and News Section at the time of the split.

The investment arrangements are reviewed on a regular basis with the assistance of the Trust’s investment advisor. In 2017 the decision was taken to transfer the management of the assets from Insight Investment (“Insight”) to BlackRock Investment Management (“BlackRock”), with an allocation to Permira Debt Managers (“Permira”). Northern Trust is the appointed custodian of the Trust’s assets.

Each Sponsor maintains Final Salary Rules (FSR) and Money Purchase Rules (MPR).

Final Salary Rules

The Trust is closed to future service accrual. Each Section's FSR liabilities are defined benefit in nature and, as such, are not directly dependent on the investment returns achieved.

Money Purchase Rules

MPR benefits are generally dependent on contributions paid the investment returns achieved and, for members that decide to purchase an annuity at retirement, the rate of conversion of accumulated capital at the date of retirement to a pension annuity contract with an insurance company.

The Trustee offers a default "Lifestyle" approach for members which targets a combination of a tax free lump sum and a pension annuity at retirement and aims to deliver strong returns on the funds held while avoiding excessive volatility in the expected level of emerging benefit. This aim is consistent with a policy of protecting and growing the real (above inflation) value of contributions invested and then protecting the capital and pension purchase value of the accumulated investments in the period prior to a member drawing benefits from the Trust.

In recognition of the increased member flexibility at retirement, the Trustee also offers members alternative Lifestyle arrangements for those members who wish to take 100% cash at retirement or would prefer an income drawdown in retirement.

1.1 Investment Powers

The Trust is governed by the Trust Deed and Rules effective from 1st September 2006 ("the Trust Deed").

This Statement is consistent with the Trustee's investment powers set out in Clause 4 (Investment) of the Trust Deed.

The Trustee has overall responsibility for the prudent management of Trust investments. The strategic management of the Trust assets in regard of each Section is the delegated responsibility of the Investment Committee acting on advice from Deloitte Total Reward and Benefits Limited ("DTRB") and others as it deems appropriate and is driven by the Trustee's investment objectives as set out in Sections 2 and 4 below. In addition, the Investment Committee has delegated authority to "*formulate, implement and generally ensure adherence to the strategic investment policy and for recommending the appointment and termination of professional investment management appointees. The Investment Committee also has responsibility for the allocation of that part, if any, of the Trust assets held between the various available Investment Managers, funds and accounts.*" The Investment Committee and Trustee are responsible for overseeing the investment of Trust assets and will do nothing that might prejudice the tax-exempt status of the Trust and its two constituent Sections.

The remaining elements of policy are part of the day to day management of the assets that is delegated to professional investment managers, each of whom is authorised and regulated by the Financial Conduct Authority.

1.2 Compliance With Legislative Requirements

In preparing and maintaining this Statement the Trustee is required to set out its policy for securing compliance with the requirements of section 36 of the Pensions Act 1995 (Choosing Investments) which, in summary, requires:

- The Trustee to exercise its powers of investment in accordance with supporting regulations, namely, the Occupational Pension Scheme (Investment) Regulations 2005 (the 2005 Regulations);
- That any fund manager to whom discretion is delegated must exercise that discretion in accordance with the 2005 Regulations; and
- That before investing in any manner the Trustee must obtain and consider proper advice on the question of whether the investment is satisfactory having regard to the requirements of the 2005 Regulations so far as they relate to the suitability of investments.

The Trustee's policy for securing compliance with these requirements is as follows:

- Section 4 of the 2005 Regulations requires that the Trustee must exercise its discretion in accordance with the provisions set out in the said regulation. The Trustee has taken advice and is comfortable that the investments comply with the 2005 Regulations.
- Compliance with this Statement and hence the regulations is covered in Section 8 of this Statement.
- As required under the Act, the Trustee consults suitably qualified people in obtaining written advice relating to the Trust's investments.

The 2005 Regulations require that the Trust's assets must be invested:

- a) In the best interests of the members and beneficiaries; and
- b) In the case of a potential conflict of interest, in the sole interest of members and beneficiaries.

The Trustee's policy for complying with these requirements is to take, where the Trustee considers it appropriate, legal advice to resolve any perceived or actual conflict of interest.

A key requirement of the 2005 Regulations is that the assets held to cover the Trust's technical provisions must be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Trust. The investment arrangements put in place for the FSR as set out in the following sections deal head on with the risks that this requirement was designed to address.

2 Investment Objectives, Risk, and Strategy – FSR

2.1 Investment Objectives

The Trust should at all times have sufficient monies to meet its obligations as and when they occur with respect to the different benefits expected by participants in the FSR.

To guide it in its strategic management of the assets and control of the various risks to which the Trust and its Sections are exposed, the Trustee has considered its objectives which can be summarised as follows:

- To target that assets are sufficient to meet the Trust’s liabilities as they arise.
- To maintain security of benefits.
- To reduce volatility in the contributions required.
- To target that, in the event of winding up, the assets of the relevant Section would not fall short of that Section’s liabilities.

2.2 Risk and Risk Management

There are various risks to which any pension scheme is exposed. A distinction is drawn between the long-term and short-term risks faced by the Trust. The Trustee has considered the following risks and believes they are appropriately controlled:

- The risk of a material deterioration in the Trust's funding position over the long term and the associated volatility in the overall contributions made by the Sponsors (“*funding level risk*”). Such risks occur due to the Trust investing in assets which it believes will produce a return higher than that on liability matching assets.
- The need to pay pension and lump-sum benefits in the short term (“*cash flow risk*”). If the timing of the benefit payments requires assets to be disinvested during a period of underperformance, this will have a negative impact on the adequacy of the funding plan agreed between the Sponsors and the Trustee. To help manage this risk, the investment strategy and contribution schedule are designed complementarily to generate the cash flows required to meet benefits and expenses.
- The probability that parties mandated with an investment objective consistently fail to meet that objective (“*investment management risk*”). The Trustee has put in place monitoring arrangements (see Section 3.4) to help manage this risk.
- The risk that any of the participants fail to meet all or any of their obligations within the investment structure (“*counterparty credit risk*”). This risk is reduced by the daily posting of collateral to mitigate any losses. In addition, BlackRock has a well-defined process for the selection of appropriate counterparties which takes into account their financial strength. Previously, Goldman Sachs acted as the sole counterparty to the Trust’s liability management structures. The Trust’s exposure to Goldman Sachs has been reduced over time to ensure greater counterparty diversification, although Goldman Sachs remains a major counterparty.

- The failure of any of the investments would jeopardise the Trustee’s ability to meet the objectives if they constituted a significant proportion of the assets (“*concentration risk*”). The Investment Committee regularly reviews the Trust’s investments to check for any concentration issues, which would then be addressed with the appointed investment manager.
- Actions by the custodian (“*custody risk*”). Custody risk involves any misappropriation of assets, and/or delivery that is not in accordance with the instructions, and/or unauthorised use of assets for the benefits of other customers of the custodian, and/or inadequate segregation of customer assets, and/or failure to collect income, recover tax or respond to corporate events and/or custodian default.
- The risk that the Trust will have insufficient eligible assets to meet the collateral requirements of its derivative investments (“*collateral sufficiency risk*”). BlackRock takes the Trust’s potential collateral requirements into account as part of the ongoing management of the Trust’s assets and restrictions are in place to manage the Trust’s net leverage levels

Having received investment advice from DTRB, legal advice from the Trustee’s legal advisers, Mayer Brown, and having consulted the Sponsor Committee, in particular on the probability and timing of any additional funding, the Trustee has determined and agreed the appropriate balance between controlling risk and managing increased expected returns. The current investment strategy was set up with reference to the assumptions used to value the Trust’s liabilities and with a focus on managing the funding level volatility of each section.

The Trustee’s investment strategy is set out in greater detail in the Trust’s Investment Implementation Policy Document (“IIPD”) but is designed to match the liabilities of the Trust by nature, term and the amount and frequency of cash flows required having regard to the contributions due to the Trust. In addition, an element of credit risk has been introduced to meet the Trust’s return requirements (as summarised in 2.4) and to ensure that the Trust’s cashflow obligations can be met more efficiently

In executing the strategy, the Trustee uses financial products (including swap contracts) to supplement conventional assets in facilitating risk reduction and/or efficient portfolio management.

Additional Assets

The Trust has certain legacy assets that currently have no value. Although these will be retained by the Trust, they do not form any formal part of the Trust’s investment strategy.

2.3 Re-balancing and realisation of investments

The Investment Committee regularly reviews the performance of the portfolio with a view to re-balancing appropriately.

A summary of BlackRock’s discretion with specific investment guidelines can be found in the IIPD.

The Trustee monitors the net cash flow position and uses these net cash flows as a mechanism to minimise the costs associated with rebalancing or implementing any strategic changes.

2.4 Expected Return

Achievement of the investment objectives set out in Section 2.1 is dependent on the level of contributions paid into the Trust and the returns achieved on the assets held within the Trust. . The investment arrangements have been structured with regard to the return expectations inherent in the most recent actuarial valuations for each Section (currently 50-60 basis points p.a. in excess of gilts yields).

2.5 Summary

The Trustee and the Investment Committee believe the strategy adopted is consistent with the investment objectives and return requirements detailed in Sections 2.1 and 2.4 respectively and is appropriate for controlling the risks identified in Section 2.2.

3 Day to Day Management of the Assets of FSR

3.1 Investment Managers

The Trustee retains the flexibility to invest either via pooled funds or directly by appointing an investment manager to manage a segregated account. The day-to-day management of the assets is the responsibility of the investment manager as appropriate.

The Trust's manager structure is outlined in greater detail within the Trust's IIPD. The suitability of this arrangement, including the structure of the underlying investments, is kept under regular review.

In selecting investment managers the Trustee takes all reasonable steps to satisfy itself that the relevant parties have the appropriate knowledge and experience for managing the Trust's investments and that they are carrying out their work competently and complying with section 36 of the Pensions Act 1995 (as amended by the Pensions Act 2004). To facilitate this, the Investment Committee, on behalf of the Trustee, meets regularly to review the Trust's investments and undertake due diligence with the manager(s) concerned, receiving regular reports from the manager(s) to check that nothing has occurred that would bring into question the continuing suitability of the current investments. The Trustee has also appointed DTRB as an independent investment adviser to provide assistance as and when requested by the Investment Committee.

3.2 Permitted assets

The Trustee, having consulted with its advisers, will pursue liability-matching and/or return-seeking activity by providing guidelines within which the appointed investment manager may operate. The guidelines are reviewed periodically and are designed such that the overall expected return is consistent with that set out in Section 2.4. The investments currently permitted by the Trustee include, but are not restricted to, investment in one or more of the following:

- Asset swaps
- Liability matching swaps
- Repurchase transactions
- Equity call options and call spreads
- High quality fixed and floating rate securities including gilts, index-linked gilts and corporate bonds.
- Credit derivatives
- Cash
- Private debt

3.3 Fees

The fees associated with the Trust's investments relate primarily to investment management, custody and investment advisory services. The fee schedules are negotiated and set out in contracts with the parties concerned.

3.4 Investment Manager Monitoring

The Investment Committee will meet regularly with the Trust's investment managers to review their actions together with the reasons for and the background to investment performance. The investment managers are asked to supply the following information each quarter (and more frequently on request) in relation to the monies under their management to facilitate a review of activity by the Investment Committee:

- a full valuation of assets;
- a transaction report;
- collateral report
- performance attribution; and
- an estimate of the funding level.

The Investment Committee will consider from time to time, and at least every 12 months, whether the investment managers and the Custodian:

- have achieved any Key Performance Indicators ("KPIs") set;
- are acting competently and have maintained the appropriate knowledge and experience;
- are capable of meeting their return targets and supporting the liability matching swaps;
- have had, and continue to have, regard to the need for diversification and security of investments managed, maintaining adequate diversification and risk controls;
- have managed the Trust's assets in line with agreed investment guidelines;
- have had, and continue to have, regard to the suitability and security of each proposed transaction; and
- are exercising powers of investment and stewardship with a view to giving effect to the principles contained in this Statement, in so far as is reasonably practicable.

The Investment Committee will consider from time to time, and at least every twelve months, through the annual audit process, whether the investment managers and the Custodian:

- have the appropriate knowledge and experience; and

- are acting competently.

If the Investment Committee is not satisfied in respect of any of the above matters, it will require the investment managers and the Custodian to satisfy it in this respect or will replace them. The Investment Committee reports regularly to the Trustee on its conclusions.

3.5 Custody of Investments

At the date of preparing this Statement, with the exception of the monies held in the Trust's bank account, all the Trust's investments are held in a segregated mandate with separate sections for News and Retail. The Trustee monitors the continuing suitability of the appointed custodian. The Trustee will monitor, amongst other things, the custodian's service levels, effective management of operational risks, interest paid on cash accounts, foreign exchange rates, fees and financial strength.

Northern Trust was appointed as the Trust's custodian in December 2013.

4 Investment Objectives, Risk And Strategy - MPR

4.1 Investment Objectives

The investment objectives are as follows:

1. As a default, to invest in assets of appropriate liquidity which will generate income and capital growth which, together with the contributions from the relevant Sponsor, will provide a fund at retirement with which members can, if they wish, purchase a pension annuity and a tax free cash sum.
2. To offer members a range of investment funds which recognise that their investment needs change as they progress towards retirement age. Younger members, such as those with more than 5 years to retirement, have a greater need for capital growth which will ensure, over the long term, that the value of their investment accounts keep pace with inflation, and, if possible, with salary escalation. Such an objective is, in the opinion of the Trustee, more likely to be achieved by investing a greater proportion of the member's fund in equities, although the Trustee recognises that the value of such investments may be more volatile than other types of investment and that there can be no guarantee that equities will outperform less risky assets. On the other hand, older members, such as those with 5 years or less to retirement, may require a greater level of consistency in return and security in order to purchase a pension and provide a cash sum from their investment account.
3. To offer members sufficient investment options to reflect the different routes members can take at retirement, the Trustee offers several different Lifestyle arrangements targeting an annuity and tax-free cash, income drawdown and cash.

4.2 Risk

The Trustee has considered risk from a number of perspectives. These are as follows:

- The risk that the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate pension ("*inflation risk*").
- The risk of deterioration in the rate of exchange of accumulated funds for pension annuities ("*annuity risk*").
- The risk that the investment vehicles in which the monies are invested do not meet the expectations of the members ("*inherent investment risk*"). This applies particularly to falls in the short-term value of these investments.
- Actions by investment managers in the day-to-day management of the assets such that they will not achieve the rate of investment return assumed by the Trustee ("*investment manager risk*"). In aiming to control investment manager risk, the Trustee's attention is focussed on the risk of the investment managers underperforming the objectives set, and the risks inherent in a manager's particular style of management. To minimise this risk the Trustee has appointed an investment manager who manages the investments on an index-tracking basis aimed at providing a return in line with the relevant market index for the asset class concerned.

4.3 Investment Strategy

The Trustee has entered into a contract of insurance with BlackRock (“the MPR Investment Manager”). Under this contract of insurance there is a range of funds available, managed by the MPR Investment Manager. The MPR Investment Manager’s fees, which are expressed as a percentage of the value of the assets under management, are included in the unit price of the funds.

The Trustee has delegated the day-to-day investment management to BlackRock. The IIPD contains details of the funds that are available to members.

Members may invest in a Lifestyle arrangement or directly in the underlying funds. Currently three Lifestyle options are offered – targeting either an annuity, income drawdown or a cash lump sum at retirement.

Members have a choice of funds in which to invest their Company contributions.

Under Lifestyle the pattern of this investment is defined by the Trustee. The Lifestyle approach adopts an equity bias for younger members in order to benefit from the expected higher potential long-term returns that the Trustee believes will arise from such investments. Older members’ assets are moved into bonds and cash as they approach retirement, in order to limit volatility of returns relative to the price of annuities. The Trustee considers this an appropriate policy towards risk and expected returns. Details of which funds are used under the Lifestyle approach is outlined within the Trust’s IIPD.

Under the Lifestyle approach switching between the four funds happens quarterly over a lifestyle period of either 5 or 10 years up to a member’s selected retirement age or either 60, 62 and 65 years.

Regulations require that the Trustee nominates a fund as the default arrangement for members who do not specify their own investment choice. Having taken appropriate investment advice, the Trustee has nominated the 5 year Lifestyle approach targeting a cash lump sum at retirement as the default arrangement.

The MPR Investment Manager must exercise the investment powers delegated to it in such a manner as to give effect to this Statement so far as is reasonably practicable.

5 Day to Day Management of the Assets - MPR

5.1 Investment Manager Monitoring

The Trustee receives reports from the MPR Investment Manager. Through this process of regular reporting, the Trustee aims to ensure that the MPR Investment Manager is carrying out its work competently and in compliance with the Act, and that the Trustee's investment objectives are met.

5.2 Realisation of Investments

The members' accounts are held in funds which can easily be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

5.3 Custody of Investments

The appointment of the custodian for the MPR investments is the responsibility of the MPR Investment Manager. The MPR Investment Manager's fees include fees for custodial services which are included in the unit price of the funds.

6 Additional Voluntary Contributions

The selection and ongoing monitoring of the Additional Voluntary Contribution (“AVC”) arrangements is the duty of the Trustee. The AVC arrangements set out below apply equally to the FSR and MPR unless otherwise stated.

6.1 Investment Objective

The investment objective is to enable members to provide additional pension for themselves in retirement on top of their main pension via appropriate disposal of their accumulated savings under the Trust. The additional nature of this pension means that the Trustee places primary emphasis on protecting the short-term value of members’ accumulated savings in the investment options below. However they also believe it is important for members to have the ability to increase the capital value of their savings over the long-term, albeit that this incurs additional risk.

6.2 Risk

The Trustee has considered risk from a number of perspectives. These are as follows:

- The risk that the investment return over members’ working lives will not keep pace with inflation and does not, therefore, secure an adequate pension (“*inflation risk*”).
- The risk of deterioration in the rate of exchange of accumulated funds for pension (“*annuity risk*”).
- The risk that the investment vehicles in which the monies are invested do not meet the expectations of the members (“*inherent investment risk*”). This applies particularly to falls in the short-term value of these investments.
- Actions by investment managers in the day-to-day management of the assets such that they will not achieve the rate of investment return assumed by the Trustee (“*investment manager risk*”). In aiming to control investment manager risk, the Trustee’s attention is focussed on the risk of the investment managers underperforming the objectives set, and the risks inherent in a manager’s particular style of management. To minimise this risk the Trustee has appointed an investment manager who manages the investments on an index-tracking basis aimed at providing a return in line with the relevant market index for the asset class concerned.

6.3 Investment Strategy

The Trustee believes that the objective outlined in 6.1 is best met by offering members a choice of investment vehicles. The Trustee has delegated the day-to-day investment management to BlackRock. The funds that are available to members are summarised in the IIPD.

In addition there is a “Lifestyle” approach that adopts an equity bias for younger members in order to benefit from the higher potential long-term returns that the Trustee believes will arise from such investments. Older members’ assets are moved into bonds and cash as they approach retirement, in order to limit volatility of returns relative to the price of annuities. The Trustee considers this an appropriate policy towards risk and expected returns. The Lifestyle approach adopted for the AVCs is identical to that adopted for the MPR and this is set out in Section 4.3.

6.4 Investment Manager Monitoring

The Trustee receives reports from the investment managers. Through this process of regular reporting, the Trustee aims to ensure that the investment managers are carrying out their work competently and in compliance with the Act and that the Trustee’s investment objectives are met.

6.5 Realisation of Investments

The members’ accounts are held in funds which can easily be realised to provide pension and cash benefits on retirement, or earlier on transfer to another pension arrangement.

6.6 FSR – Additional Assets

Within the FSR, the Trust also has a With Profits Fund and a Managed Pension Fund with Equitable Life. Both of these funds are no longer offered to new AVC payers. The With Profits Fund consists of a balanced portfolio of UK and overseas equities, fixed interest stocks and property and the returns are “smoothed”. The Managed Pension Fund is invested in units of Equitable Life’s unit trusts or directly in assets and provides a direct link to the performance of a specific investment portfolio.

7 Environmental, Social and Governance (“ESG”) Factors and Stewardship

Environmental, Social and Governance (“ESG”) Factors

The Trustee incorporates all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible. The Trustee believes the investment time horizon to fund all future benefits to be less than ten years.

The Trustee believes that ESG factors (including but not limited to climate risk) may not be financially material over the time horizon of the Scheme and it will have varying levels of importance for different types of assets invested by the Scheme. The Trustee nevertheless expects its investment managers to factor ESG considerations into investment decision making where they have the discretion to do so.

The Trustee requires its investment advisor to review and rate the investment managers' credentials in managing risks arising from ESG and report this to the Trustee.

The Trustee factors ESG considerations into decision-making when setting the strategic asset allocation of the Scheme. It considers how the exposure to risk is managed when selecting asset classes, sub-sectors, and specific investment managers or strategies.

Non-financial matters including views of beneficiaries and members are not ordinarily taken into account in the selection, retention and realisation of investments. This stance is periodically reviewed, and if members express views in the future, the Trustee will consider these.

The Trustee requires its investment advisor and investment managers to communicate new and emerging risks arising from ESG considerations. This will continually inform the Trustee's policy which will be reviewed periodically and kept up to date with industry practice.

Stewardship

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers.

The Trustee expect their investment managers to practice good stewardship. This includes monitoring, engaging with issuers of debt or equity on financially material ESG issues, and using voting rights to effect the best possible long-term outcomes.

When appointing a new investment manager, the Trustee's investment advisers assess the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments. When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question.

8 Compliance with this Statement

The Trustee will monitor compliance with this Statement annually. In particular the Trustee will obtain confirmation from the investment managers that they have complied with this Statement as supplied to them and the Trustee undertakes to advise the investment managers promptly and in writing of any material change to this Statement.

Jeremy Stone

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Signed on behalf of WH Smith Pension Trustees Limited

29 January 2020

Appendix 1: Investment Restrictions

The following investments are not allowed without approval by the Trustee:

- Direct investment in physical commodities
- Works of art, antiques
- Direct investment in precious metals, stones
- Making a bid to take over a company
- No direct investment in the securities of any appointed investment manager or its Associates. This restriction does not apply to investment in pooled funds that are available for investment by parties other than the Trustee.
- Sub-underwriting over 5% of the portfolio.
- Stock lending.

Further details of the investment restrictions which apply to the management of the Trust's assets can be found in the IIPD.

Employer-related investments

Investment managers may not hold direct investments in the Sponsors or any of its affiliates or associated companies. Where the Trust invests through commingled funds and the Trustee cannot constrain the discretion of the Investment Managers then indirect employer-related investment is permitted although such investments will be disclosed and monitored from time to time.

The level of investment by the Trustee in one of the Sponsors, or in associated companies, must not represent more than 5% of the relevant Section's assets.