Hallmark (1998) Retirement Benefits Scheme

Statement of Investment Principles – DC Section

August 2022

1. Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 (as amended) **for the Defined Contribution ("DC") Section of the Hallmark (1988) Retirement Benefits Scheme ("the Scheme").** It describes the investment policy being pursued by Hallmark Pension Trustees Limited ("the Trustee") and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles') and TPR's Investment Guidance for pension schemes. This SIP also reflects the requirements of Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

The Investment Adviser for the DC Section of the Scheme is Mercer Limited.

The Trustee confirms that, before preparing this SIP, they have consulted with Hallmark Cards PLC ('the Sponsoring Employer') and have obtained and considered written advice from the Investment Adviser.

The Trustee is responsible for the investment of the Scheme's assets and where they are required to make an investment decision, the Trustee always receives advice from the Investment Adviser first. They believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustee sets general investment policy. The Scheme's DC assets are invested through a bundled arrangement with Aegon, who invest the assets in a range of underlying funds managers.

The SIP constitutes two parts – the DB Section and the DC Section. Both parts together constitute the Scheme's Statement of Investment Principles.

2. Investment Objectives

The Trustee aims to provide suitable investment options that are aligned to the needs of DC Section members.

The Trustee recognises that within the DC Section, members assume the investment risks themselves. The Trustee further recognises that members have different attitudes to risk and are exposed to different types of risk at different stages of their working lifetimes. The Trustee has outlined the main risks which members are exposed to in Section 4 and has determined its investment policy in such a way as to address these risks.

The Trustee also recognises that members may not believe themselves qualified to take investment decisions. As such the Trustee makes available a default investment option to members, which is described in Section 5.

The Trustee is mindful of its responsibility to provide members with an appropriate range of investment funds and lifestyle strategies. The Trustee will review the Scheme's investment approach on a regular basis, at least every three years and without delay following any significant changes in membership.

3. Risks

The Trustee recognises a number of risks involved in the investment of the assets of the DC Section of the Scheme. These risks, and how they are measured and managed, include:

Type of Risk	Risk	Description	How the risk is monitored and managed
Market risk	Inflation risk	The risk that returns over the members' working lives does not keep pace with inflation.	The Trustee makes available a range of funds, across various asset classes, with the majority expected to keep pace with inflation. Members are able to set their own investment allocations, in line with their risk tolerances. The Trustee also makes available a range of LifePath funds, including the default LifePath Flexi. During the growth phase of these funds, members are invested in an allocation which is expected to grow their pension savings in excess of inflation.
	Currency risk	The risk that fluctuations in foreign exchange rates causes the value of overseas investments to fluctuate.	
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	
	Equity, property and other price risk	The risk that market movements leads to a substantial reduction in the value of a member's savings.	
Liquidity risk		The risk that the Scheme's assets cannot be realised at short notice in line with member demand.	The Scheme invests in daily dealt and daily priced pooled funds.
Investment manager risk		The risk of the appointed investment managers not meeting their objectives, fail to carry out operational tasks, do not ensure safe-keeping of assets or breach agreed guidelines.	The Trustee measures risk in terms of the performance of the funds compared to relevant benchmarks on a periodic basis. The Trustee and its advisers consider this risk both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
Benefit conversion risk		The risk that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The Trustee makes available three LifePath funds for members. These funds automatically switch members' assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age. The three LifePath funds available target cash, drawdown or annuity at retirement and have been selected to provide an at retirement strategy that suits the majority of members.

Type of Risk	Risk	Description	How the risk is monitored and managed
Environmental, Social and Corporate Governance ("ESG") risk		The risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The management of ESG related risks is the responsibility of the investment managers. See section 7 of this Statement for the Trustee's responsible investment and corporate governance statement.

4. Investment Strategy

The Trustee has adopted the following approach in relation to members of the DC Section of the Scheme:

Self-Select Fund Range

The Trustee makes available a range of options including equity, diversified growth, bonds and money market funds with both active and passive management options offered depending on asset class. The Trustee believes that this range provides appropriate choices for members' different saving objectives, risk profiles and time horizons. Further details of the self-select funds are provided in Appendix A.

Members can combine the investment funds in any proportion to determine the balance between different kinds of investments. This will also determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerances. Each of the available funds is considered to be diversified across an appropriate number of underlying holdings / issuers.

The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long-term returns on diversified growth funds are expected to be reasonably close to those on equities. However, diversified growth funds are expected to experience lower volatility due to their exposure to a diversified range of investments. The long-term returns on the bond and cash options are expected to be lower than those options that are either predominantly or entirely exposed to growth investments.

LifePath Funds

The Trustee makes available three LifePath funds for members. These funds automatically switch members' assets into investments whose value is expected to be less volatile relative to how the member wishes to access their pension savings as they approach retirement age.

In the early career phase (around 35+ years before retirement) LifePath invests members' assets mainly in equities and commercial property, with the aim to build members' retirement savings as much as possible. In the mid-career phase (between 35 and 10 years before retirement) LifePath introduces further diversification in the form of bonds and commodities, while also reducing the amount invested in equities and commercial property, with the aim of reducing investment risk. As members approach retirement (within 10 years of retirement) the underlying investments automatically switch to either target Drawdown (LifePath Flexi), Annuity Purchase (LifePath Retirement) or a Cash Lump Sum (LifePath Capital). Further details of the LifePath funds are provided in Appendix B.

Default Investment Option

Having taken written professional advice, the Trustee selected LifePath Flexi as the Scheme's 'default investment option' as it reflects the option that is considered likely to be the most appropriate for members who are unable to decide how they wish to take their retirement benefits. Therefore, if a member does not make a decision as to which lifestyle strategy they wish to choose, the member's funds will be invested in the LifePath Flexi by default.

The Trustee's' objectives in relation to the default investment option, are detailed below:

- To generate returns in excess of inflation during the "growth" phase.
- To provide an option that reduces investment risk for members as they approach retirement.
- To offer members a mix of assets at retirement that is broadly appropriate for an individual planning to take their benefits via income drawdown.

Based on the Trustee's understanding of the Scheme's membership, a default investment option that targets income drawdown is expected to be broadly appropriate to meet a typical member's requirements for income in retirement. This does not mean that members have to take their benefits in this format at retirement. It merely determines the default investment option that will be in place pre-retirement. Members who intend to take their retirement savings by other means are able to choose their own investment options.
Taking into account the demographics of the Scheme's membership and the Trustee's views of how the membership might behave at retirement, the Trustee believes that the default investment option is appropriate and they will continue to review this regularly, and more strategically at least triennially, or after significant changes to the Scheme's demographic, if sooner.

The Trustee's policies in relation to the default investment option are detailed below:

- The default investment option manages investment and other risks through a strategic asset allocation consisting of equities, property, commodities and fixed income. Risk is not considered in isolation but in conjunction with expected investment returns and outcomes for members.
- In selecting the default investment option, the Trustee has explicitly considered the trade-off between risk and expected returns. The default investment option balances between different kinds of investments to ensure that the expected amount of risk (and commensurately the expected return) is appropriate given the age of the member and their expected retirement date.
- Assets in the default investment option are invested in the best interests of members and beneficiaries, taking into account the investment objectives set out in Section 2 of this Statement.
- The investment manager has responsibility for buying and selling the underlying assets. All of the pooled funds used operate daily dealing cycles.
- Assets are invested mainly on regulated markets.
- The Trustees policy on "Realisation of Investments" and "Responsible Investment and Corporate Governance", both in relation to the default investment option and the DC section as a whole, can be found in Sections 6 and 7 of this Statement respectively.

5. Day to Day Management of the Assets

The fund range offered to members is accessed through the platform provided by Aegon Limited ("Aegon"). The Trustee accesses the platform via a long-term insurance contract with Aegon.

Day-to-day management of the assets is delegated to professional investment managers who are all authorised or regulated. The Trustee expects the investment managers to manage the assets delegated to them under the terms of their contracts. The range of funds underlying the options offered to members incorporates funds from a number of investment managers.

The investment managers have full discretion to buy and sell investments on behalf of the Scheme, subject to agreed constraints and applicable legislation. They have been selected for their expertise in different specialisations.

The Trustee recognises that it is not possible to specify investment restrictions where assets are managed via pooled funds and given that it is Aegon that has the direct relationship with the third parties offering the funds (and not the Trustee).

The Trustee assesses the continuing suitability of the Scheme's investment managers on a periodic basis. The Trustees' investment adviser is available to provide help in monitoring the investment managers, both in the form of written reports or attendance at meetings as required by the Trustee.

The Trustee will review the appointment of any investment manager for any reason they consider appropriate.

6. Realisation of Investments

All funds, including those in the default investment option, are daily-dealt pooled investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are mainly invested in regulated markets. Where pooled investment arrangements do not invest assets in regulated markets these are not expected to account for a material proportion of assets. Therefore, assets should be realisable at short notice, based on member or Trustee demand.

7. Responsible Investment and Corporate Governance

The Trustee recognises that Environmental, Social and Governance (ESG) factors, including climate change, can all influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated as best as possible.

The Trustee believes that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

The Trustee considers how ESG factors (including climate change) and stewardship are integrated within investment processes when selecting new investment managers. These factors are also monitored on a regular basis, including consideration of ESG ratings provided by the Trustee's Investment Adviser.

The Scheme is invested solely in pooled investment funds. The Trustee's policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

8. Non-Financial Matters and Member Views

The Trustee understands that they must consider all financially relevant factors in making investment decisions on behalf of the Scheme. However, they may also consider any non-financial factors, to the extent that they have the ability to impact the financial results of the Scheme's investments, if they believe that such factors reflect the views of members. The LifePath funds were selected, in part, due to the integration of ESG considerations within the investment strategy.

The Trustees do not seek member views when selecting funds. This approach will be kept under review.

9. Implementation and Engagement Policy

The below table sets out the Trustee's approach to implementation and engagement. The list below is not exhaustive, but covers the main areas considered by the Trustee.

Policy statement	How the policy is addressed
How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees' policies	The investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager. If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives. The Investment Adviser's manager research ratings assist with due diligence and are used in decisions around selection, retention and realisation of manager appointments.
How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term	The Trustee expects the investment managers to incorporate the consideration of longer-term factors, such as ESG factors, into their decision making process where appropriate. This includes the investment managers' policy on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments.
How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies	The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over three months, one year, three years and five years. The Trustee reviews the absolute performance and relative performance against a suitable index used as the benchmark, and against the investment manager's stated target performance (over the relevant time period) on a net of fees basis. Whilst the Trustee's focus is on long-term performance, they also take shorter-term performance into account. If an investment manager is not meeting performance objectives, or their investment objectives for the fund have changed, the Trustee may review the suitability of the manager, and change managers where required.

	As part of the annual Value for Money ("VfM") assessment, the Trustee reviews the investment manager fees. Action is taken where the Trustee feels an improvement in value might be possible.
How the trustees monitor portfolio turnover costs incurred by the asset manager.	The Trustee considers portfolio turnover costs as part of the annual VfM assessment.
How the trustees define and monitor targeted portfolio turnover or turnover range.	The Trustee does not currently define target portfolio turnover ranges for funds.
How the trustees define and monitor the duration of the arrangement with the asset manager.	The Trustee is a long-term investor and does not look to change the investment arrangements on a frequent basis. The focus of performance assessments is on longer term outcomes so the Trustee would not ordinarily expect to terminate an underlying manager based purely on short term performance. All the funds are open-ended with no set end date for the arrangement. The investment strategy is reviewed on at least a triennial basis. An investment manager may be terminated if it is no longer considered to be optimal, nor have a place in the fund range.

10. Compliance with this Statement

The Trustee will monitor compliance with this Statement regularly, or immediately after any change in strategy.

11. Review of this Statement

The Trustee will review this Statement at least once every three years and after any significant change in investment policy. Any such review will be based on written, expert investment advice and will be in consultation with the Sponsoring Employer.

This Statement of Investment Principles was reviewed and approved by the Trustee of the Hallmark (1998) Retirement Benefits Scheme on 7 September 2022.

Appendix A: Self-Select Funds

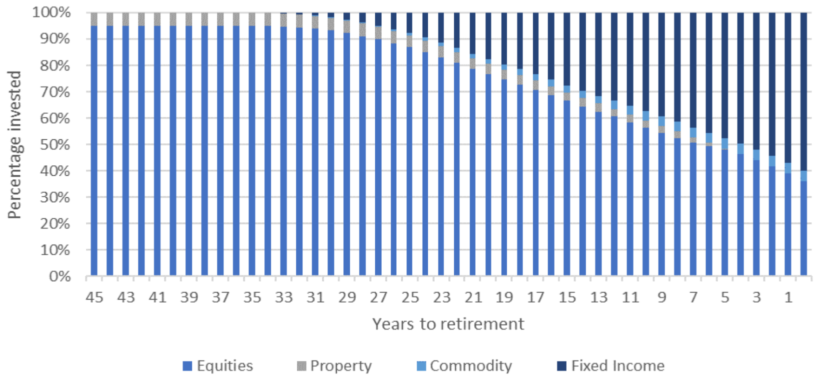
Fund Name	Active / Passive	Investment Objectives	Total Expense Ratio (p.a.)
Aegon BlackRock World (ex-UK) Equity Index (BLK)	Passive	This fund invests in the shares of overseas companies (in Europe, Japan, the Far East, the USA and Canada). It aims to match the performance of the FTSE All World Developed (ex-UK) Index and invests in these regions in the same proportions as the Index.	0.31%
Aegon BlackRock UK Equity Index (BLK)	Passive	This fund invests in the shares of UK companies and aims to achieve a return consistent with that of the FTSE All Share Index.	0.31%
Aegon BlackRock 50/50 Global Equity Index (BLK)	Passive	This fund aims to provide broad exposure to countries around the world and returns consistent with the markets it invests in by investing approximately 50% in UK shares (equities) and 50% in overseas equities (excluding the UK) split equally between the USA, Europe and Asia Pacific.	0.31%
Aegon HSBC Islamic Global Equity Index (BLK)	Passive	Invests in company shares from around the world and is compliant with Islamic Shariah principles.	0.60%
Aegon BlackRock Diversified Growth (BLK)	Active	The fund aims to provide a return on your investment (generated through an increase in the value of the assets held by the fund) over the medium term (3 consecutive years), which exceeds the Bank of England’s Base Interest Rate by 3.5% (before charges). The fund invests on a global basis at least 80% of its total assets in fixed income securities (such as bonds), money-market instruments (e.g. debt securities with short-term maturities), equity securities (e.g. shares), funds, deposits and cash. The Aegon TargetPlan fund may have higher charges than the underlying fund and is therefore less likely to meet this target.	0.60%
Aegon BlackRock Market Advantage (BLK)	Active	The fund follows a diversified, risk-controlled investment process that aims to achieve: • Return similar to a balanced* portfolio over a market cycle • Approximately 40% less risk than a balanced* portfolio • Smoother returns during extreme market conditions *The fund invests in a highly diversified mix of asset classes based on target exposures to fundamental economic risk factors. By managing exposure during market extremes, the fund seeks to deliver risk in line with target while reducing downside risk.	0.42%
Aegon BlackRock Long Gilt (BLK)	Passive	Invests mainly in long–dated UK government bonds and aims to produce a return in line with its benchmark.	0.40%
Aegon BlackRock Index-Linked Gilt (BLK)	Passive	Invests mainly in index–linked UK government bonds and aims to produce a return in line with its benchmark.	0.40%
Aegon BlackRock Over 15 Year Corporate Bond Index (BLK)	Passive	This fund aims to achieve a return consistent with the Markit iBoxx GBP Non-Gilts Over 15 Years Index. It does so by investing in investment grade corporate bonds denominated in sterling with a maturity period of 15 years or longer. The fund may also invest in permitted money market instruments, deposits and collective investment schemes.	0.32%

Aegon BlackRock Over 15 Year Gilt Index (BLK)	Passive	This fund aims to match the performance of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index. It does so by investing in UK government bonds (gilts) that have a maturity period of 15 years or longer.	0.31%
Aegon BlackRock Cash (BLK)	Active	Aims to produce a return in excess of its benchmark principally from a portfolio of Sterling denominated cash, deposits and money-market instruments.	0.28%

Appendix B: LifePath Funds

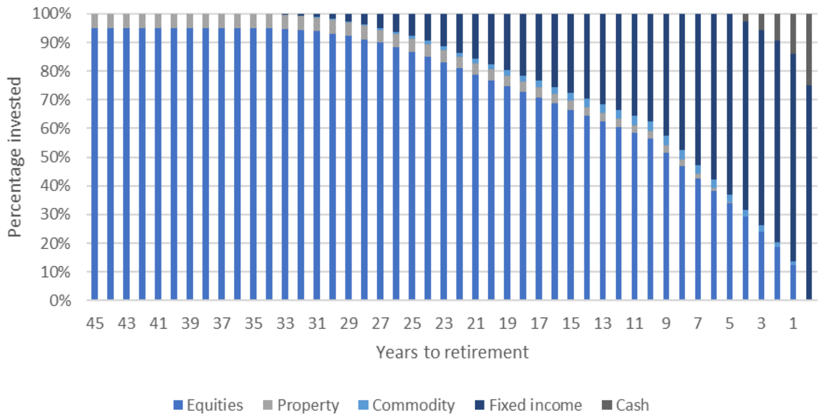
Aegon BlackRock LifePath Flexi (Default) - Total Expense Ratio 0.36% p.a.

LifePath Flexi targets Income Drawdown at retirement. It invests fully in growth assets when members are over 35 years from their target retirement date and glides towards an asset allocation split of approximately 40% global equities and 60% fixed income by its target retirement date.



Aegon BlackRock LifePath Retirement - Total Expense Ratio 0.36% p.a.

LifePath Retirement targets Annuity Purchase at retirement. It invests fully in growth assets when members are over 35 years from their target retirement date and glides towards an asset allocation split of approximately 75% fixed income (designed to track annuity rates) and 25% cash (designed to reflect the normal level of tax free cash allowance) by its target retirement date.



Aegon BlackRock LifePath Capital – Total Expense Ratio 0.36% p.a.

LifePath Capital targets full Cash at retirement. It invests fully in growth assets when members are over 35 years from their target retirement date and glides towards an asset allocation of 100% in cash by its target retirement date.