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Canadian Pacific Companies (Europe)Pension Plan

Statement of Investment Principles

December 2021

Introduction

This document constitutes the Statement of Investment Principles (‘the SIP’) required under Section 35 of the Pensions Act 1995 (as amended) for the Canadian Pacific Companies (Europe) Pension Plan (the “Plan”). It describes the investment policy being pursued by the Trustees of the Plan 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 defined benefit pension schemes. This SIP also reflects the requirements of the Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

The Plan Actuary is Scott Pinder of Willis Towers Watson, the Investment Adviser is Schroders Solutions (collectively termed ‘the Advisers’).

The Trustees confirm that, before preparing this SIP, they have consulted with Fairmont Hotels Inc. ('the Sponsoring Employer') and the Plan Actuary and have obtained and considered written advice from the Investment Adviser.

The Trustees are responsible for the investment of the Plan’s assets and where they are required to make an investment decision, the Trustees always receive advice from the relevant Advisers 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 Trustees set general investment policy, but have delegated day-to-day investment of the Plan’s assets to be undertaken by a range of professional investment managers, hereafter referred to as the ‘Investment Manager’.

Plan Governance

The Trustees are responsible for the governance and investment of the Plan’s assets. The Trustees consider that the governance structure is appropriate for the Plan as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Manager or the Advisers as appropriate.

The Trustees will review this SIP at least every three years, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Sponsoring Employer if deemed appropriate. There will be no obligation to change this SIP, the Investment Manager or Adviser as part of such a review.

Investment Objectives

The Plan's ultimate objective is to meet the benefit payments as they fall due. In order to achieve this, the Trustees have undertaken a buy-in of the Plan's liabilities where the majority of members' benefits are secured with an insurance company, Aviva.

The Trustee's objective is therefore no longer framed with reference to a liability-related objective. It is simply to protect the capital value of the remaining surplus until further notice.

Investment Strategy, Diversification, Suitability

In 2018, the Trustees took the opportunity to insure members' DB Section benefits with Aviva thereby potentially transferring all investment risk away from the Sponsoring Employer. As such, there are limited remaining investment assets and those that do remain are illiquid and are in the process of being sold down.

The Trustees are clear about the importance of diversification, however this will be impacted by the order in which the remaining illiquid assets can be sold.

The Trustees have taken advice from the Advisers to ensure that the assets held by the Plan and the proposed strategy is suitable given its liability profile, the Trustees' objectives, legislative requirements, regulatory guidance and specifications in the trust deed and rules governing the Plan (the Trust Deed).

Monitoring

The Trustees will monitor the performance of the Investment Manager against the agreed performance objectives. The Trustees, or any other suitably qualified Adviser on behalf of the Trustees, will regularly review the activities of the Investment Manager to satisfy themselves that the Investment Manager continues to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Plan.

Corporate Governance and Stewardship

The Trustees and Investment Manager have agreed, and will maintain, formal agreements setting out the scope of the Investment Manager's activities, charging basis and other relevant matters. The Investment Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustees have appointed the Investment Manager to implement the Plan's investment strategy. The Investment Manager manages assets directly on behalf of the Trustees as well as having delegated authority to appoint, monitor and change the Underlying Managers.

The Investment Manager is appointed to carry out its role on an ongoing basis. The Trustees periodically review the overall value-for-money of using Schroders Solutions, and information in relation to costs associated.

The Trustees have delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the Investment Manager. The Investment Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. For any special resolutions or extraordinary general meetings, the proposed votes of the Investment Manager are subject to additional sign-off by the appropriate representative from the Investment Manager.

The Investment Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Investment Manager reviews the governance structures of Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

The Trustees acknowledge the inherent potential for conflicts of interest which exist as part of ongoing Investment management business activities. As an FCA regulated firm, the Investment Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Investment Manager directly monitors these as part of their regulatory filings (where available), the Investment Manager also monitors this as part of ongoing review. The Investment Manager's Conflict of Interest policy is available publicly here:

https://www.schroders.com/en/identification-and-management-of-conflicts-of-interest/

The Investment Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Manager's expectations. Where there are material deviations the Investment Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

Realisation of Investments

The majority of assets are held in cash funds, most of which can be realised easily if the Trustees require (apart from the stated illiquid assets). The Investment Manager is permitted to hold illiquid investments (as defined in the Investment Management Agreement), which the Trustees acknowledge can take additional time to realise. The Trustees have previously considered this risk against the possibility of needing to realise these assets and was comfortable it was a reasonable approach to take.

Financially material investment considerations

These considerations which include the below "Risks" can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as "ESG") where relevant. All references to ESG also include climate change.

The Trustee's policy is to delegate consideration of financially material factors, including ESG to the Investment Manager who considers these when constructing the portfolio, including looking at Underlying Managers. As part of their ongoing monitoring, the Trustees review some key metrics on a regular basis that are provided by the Investment Manager covering ESG which enable them to engage with the Investment Manager and understand the impact of ESG on the portfolio.

ESG factors and stewardship are considered, in the context of long-term performance, by the Investment Manager as part of the Underlying Manager selection criteria. This review occurs before they are approved for investment in the portfolio. Once an Underlying Manager is appointed, the Investment Manager monitors the ESG implementation and ongoing compliance with other factors, such as stewardship, as a part of overall engagement.

Risks

The Trustees recognise a number of risks involved in the investment of the assets of the Plan. These risks, and how they are measured and managed, include:

- Funding and asset/liability mismatch risk – the risk that the funding level or the ability to buy-out the Plan is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
  - The Trustees hold annuities which match a significant proportion of the liabilities. The Trustees also have a surplus which is held in cash and some illiquid assets.
  - The Trustees recognise the risk of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience.
- Default risk – the risk of income from assets not being paid when promised. This is addressed through restrictions for the Investment Manager and Underlying Managers, e.g., a minimum credit rating of the bonds they are allowed to buy and also a high proportion of the bonds held are government bonds which have little default risk.
- ESG risk – the risk of adverse performance due to ESG related factors including climate change. This is addressed by the Investment Manager's ESG assessment at the point of investment with Underlying Managers. A summary of the overall ESG characteristics in the portfolio in the quarterly governance report.
- Mismanagement risk – the risk of unsuitable investment activity by the Investment Manager. This is addressed in the agreement with the Investment Manager, and in turn by the Investment Manager with the Underlying Managers, which contain restrictions on the proportion and type of asset classes that the Investment Manager or Underlying Managers may invest in.
- Organisational risk – the risk of inadequate internal processes leading to problems for the Plan. This is addressed through regular monitoring of the Investment Manager and Advisers by the Trustees, and of the Underlying Managers by the Investment Manager.
- Sponsor risk – the risk of the Sponsoring Employer ceasing to exist which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustees regularly review the covenant of the Sponsoring Employer.

The Trustees will keep these risks and how they are measured and managed under regular review

Non-financial matters

The Trustees do not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustees have no plans to seek the views of the membership on ethical considerations.

	December 31, 2021
Signed:	Date:

For and on behalf of **Canadian Pacific Companies (Europe) Pension Plan**