The Independent Television News Limited Pension Scheme (the “Scheme”) Statement of Investment Principles (the “Statement”)

Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 27 October 2021. The Trustees will review this Statement and the Scheme’s investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

Consultations Made

The Trustees have consulted with the employer prior to writing this Statement and will take the employer’s comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Scheme. They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Solutions UK Ltd, the Trustees' investment consultant, who is authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme's assets has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement is available to the members of the Scheme.

Objectives and Policy for Securing Objectives

The Trustees’ objectives for setting the investment strategy of the Scheme have been set with regard to the Scheme’s Statutory Funding Objectives as set out in the Statement of Funding Principles.

The Trustees' primary objectives are:

- “funding objective” – to ensure that sufficient assets are available to pay members’ benefits as and when they arise;

- “stability objective” – to have due regard to the likely level and volatility of required contributions when setting the Scheme’s investment strategy;

- “security objective” – to ensure that the solvency position of the Scheme (as assessed on a risk free basis) is expected to improve. The Trustees will take into account the strength of the employer’s covenant when determining the investment strategy; and

- "de-risking objective" – to monitor the progression of the Scheme's solvency position on a risk-free basis and to de-risk the asset allocation as and when it becomes affordable to do so.

Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustees' objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the Scheme's liabilities are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made by the managers in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Scheme's investment strategy targets a return of 3.3% p.a. above that of an investable proxy of the Scheme's liabilities. The Trustees have discretion based on advice from their investment consultant to tactically adjust the Scheme's target return between 3.0% and 3.5% p.a.

The Scheme has a target inflation-linked hedge of 100% and a target interest hedge of 100%, both scaled to the value of the Scheme's investments. The Trustee has allowed Aon Investments Ltd (AIL), the fund manager responsible for the Scheme's liability hedging, the discretion to actively manage the target hedge ratios. This allows AIL to tactically overweight or underweight the hedge ratio by up to 5%.

The Balance Between Different Kinds of Investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from investment strategy.

They therefore retain overall responsibility for setting investment strategy and take expert advice as required from their professional advisers. Additionally, the Trustees have appointed AIL's Delegated Consulting Service ("DCS") to manage the majority of the Scheme's assets. Within both the Growth Component and Liability Hedging Component of DCS, the Trustees have delegated responsibility to set the asset allocation to AIL. This has been done to further aid the diversification of the Scheme's assets and to reduce the investment risk relative to the Scheme's liabilities. Further, AIL have been instructed to monitor and manage the Scheme's investment risks (see Investment Risk Monitoring and Management).

The Trustees review their investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustees take written advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

The asset allocation set out in the Appendix was implemented after considering written advice from the Scheme's advisers.

A broad range of available asset classes has been considered. This includes consideration of so called "alternative" asset classes (including but not limited to property, absolute return funds, infrastructure, private equity and illiquid credit). With the exception of property and liquidity funds managed externally by investment managers, AIL will retain oversight of the alternative asset classes and allocation decisions related to them (subject to the range constraints outlined in the Appendix).

Investment Risk Monitoring and Management

The key investment risks are recognised as arising from investment strategy. These are assessed triennially in conjunction with the actuarial valuation of the Scheme, following which the Trustees take advice on the continued appropriateness of the existing investment strategy. A check is made as to whether the funding and investment strategy remains on target to achieve the original objectives, and within acceptable parameters. If not, then corrective action is considered by adjusting investment policy or through amendments to the contribution plan.

The Trustees and their advisers considered the risk of failure of the Scheme's sponsoring employer when setting investment strategy and have consulted with the sponsoring employer as to the suitability of the proposed strategy. The Trustees receive regular updates from the employer to monitor the covenant on an ongoing basis and assess the impact on the Scheme.

The Trustees monitor the risk arising through the selection or appointment of fund managers on a quarterly basis via investment monitoring reports and online monitoring tool provided by their professional advisors and managers. Expected deviation from the benchmark (for a passive manager) or outperformance target (for an active manager) is detailed in the appendix of this statement. The Trustees have appointed Aon Solutions UK Limited to alert them on any matters of material significance that might affect the ability of each fund manager to achieve its objectives.

The Trustees acknowledge that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated.

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

The Trustees meet quarterly and aim to see the Scheme's fund managers at least once per year. The Trustees can also meet on an ad hoc basis by conference call or in person when necessary.

Custody

The Trustees receive a copy of the investment managers' reports, custodian's reports and auditor's reports on their respective procedures prepared in accordance with FRAG21/94 issued by the Institute of Chartered Accountants in England and Wales.

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodians are independent of the employer.

Expected Returns on Assets

Over the long-term the Trustees' expectations are:

- for the "growth" assets (DCS Growth Component and property), to achieve asset growth in excess of the growth of the Scheme's liabilities over the long term. The Trustees are willing to incur short-term volatility in asset price behaviour with the expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities;

- for the “matching” assets (DCS Liability Hedging Component and cash), to match a percentage of the Scheme's fixed and interest and inflation-linked liabilities through the use of bonds, gilt derivative instruments, interest rate swaps, and / or inflation swaps. The Trustees are willing for the percentage match to move underweight versus its target to take advantage of pricing opportunities in these instruments.

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and fund managers.

Realisation of Investments/Liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

Environmental, Social and Governance (ESG) Considerations

The Trustees acknowledge that by considering ESG issues and long-term risks related to these factors (such as climate change), investment opportunities and financially material risks can be identified.

The Trustees have agreed upon their beliefs and principles relating to responsible investment practices. This has formed the foundations of the agreed Responsible Investment Policy for the Scheme, which guides and informs the Trustee’s considerations of these matters and the framework under which the Trustees engage with their advisors and appointed fund managers.

The Trustees assess ESG related risks and opportunities, including climate change, in relation to the Scheme's time horizon with input from their investment consultant. Where appropriate, a mitigation plan will be developed to manage the Scheme’s exposure to these risks.

Where relevant and available, the Trustee will use ESG ratings information provided by Aon as part of the Trustee’s monitoring of the Scheme’s investment managers' consideration of financially material ESG factors. The Trustees do not regard ESG ratings as appropriate for the DCS Liability Hedging Component, or the Scheme’s cash holding.

The Trustees expect the Scheme's investment managers to take into account financially material ESG considerations (including climate change risks) in the management of their portfolios and where appropriate, the sustainability of business models that are influenced by them. The Trustees request details of their investment managers’ activities and policy towards these areas and review these at least annually with input from their investment consultant. The Trustees will then engage with their investment managers as necessary.

The Trustees do not currently regard non-financial ESG matters as being critical to achieve their primary objectives but will review this position with input from their investment consultant at least annually.

Arrangements with Asset Managers

The Trustees recognise that it is important that their arrangements ensure alignment of interests with its investment managers (currently CBRE and Legal & General), fiduciary manager (currently AIL) and correspondingly all of the underlying asset managers within the fiduciary management framework. In particular, the Trustees seek to ensure that the fiduciary manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustees delegate the ongoing monitoring of underlying asset managers to the fiduciary manager. The fiduciary manager monitors the Scheme’s investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Scheme.

This includes monitoring the extent to which the underlying asset managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and

- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointment of a new fiduciary manager, the Trustees review the governing documentation associated with the investment to ensure that it is structured in a way that incentivises the fiduciary manager to make decisions that align with the Trustees' policies and is based on assessments of medium- and long-term financial and non-financial performance.

There is typically no set duration for arrangements with the fiduciary manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that the fiduciary manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

Cost Monitoring

The Trustees are aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustees will receive annual cost transparency reports from their fiduciary manager. These reports will present information in line with prevailing regulatory requirements for fiduciary managers.

The Trustees assess the (net of all costs) performance of their fiduciary manager on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective. The remuneration paid to the fiduciary manager and fees incurred by third parties appointed by the fiduciary manager will be provided annually by the fiduciary manager to the Trustees. This cost information will be set out alongside the performance of the fiduciary manager to provide context. The Trustees will monitor these costs and performance trends over time.

Stewardship and Engagement

The Trustees recognise their role as stewards of capital and the need to promote high standards of governance and corporate responsibility in the companies that the Scheme invests in. The Trustees believe that this protects the financial interests of the Scheme and its beneficiaries. The Trustees will annually review the stewardship activity of the fiduciary manager to ensure the Scheme's stewardship policy is being appropriately implemented in practice. The Trustees will receive annual reports on stewardship activity carried out by their fiduciary manager which will include detailed voting and engagement information from underlying asset managers

As part of the fiduciary manager's management of the Scheme's assets, the Trustee expects the fiduciary manager to:

- Ensure that (where appropriate) underlying asset managers exercise the Trustees' voting rights in relation to the Scheme's assets; and

- Report to the Trustees on stewardship activity by underlying asset managers as required.

The Trustees may engage with their fiduciary manager, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustees will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

Additional Voluntary Contributions (“AVC’s”) Arrangements

Some members have obtained further benefits by paying AVC’s to the Scheme. The liabilities in respect of these AVC’s are equal to the value of the investments bought by the contributions. Details of AVC providers and fund options are included in the Appendix to this Statement. From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Ratified by the Trustees of the ITN Pension Scheme

27 October 2021