1. Introduction

1.1. What is the purpose of this Statement of Investment Principles?

This Statement of Investment Principles ("SIP") sets out the policy of the United Executive Trustees Limited ("the Trustee") on various matters governing decisions about the investments of the United Newspapers Executive Pension Scheme ("the Scheme"), a Defined Benefit ("DB") Scheme.

1.2. Who has had input to the SIP?

This SIP has been formulated after obtaining and considering written professional advice from Lane Clark & Peacock LLP ("LCP"), the Scheme’s investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments and the need for diversification, given the circumstances of the Scheme and the principles contained in this SIP.

UBMG Limited, as the Principal Employer, has been consulted on the SIP. The current investment manager of the Scheme has been given the opportunity to comment on a draft version of the SIP and its comments have been incorporated into this final version.

1.3. What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 ("the Regulations") and the Pension Regulator’s guidance for defined benefit pension schemes (March 2017).

2. What are the Trustee’s overall investment objectives?

The Trustee’s objectives are that:

- the Scheme should be able to meet benefit payments as they fall due; and
- the Scheme’s funding position (ie the value of its assets relative to the assessed value of its liabilities) should be at an appropriate level. The Trustee is aware that
there are various measures of funding, and has given due weight to those considered most relevant to the Scheme. After each actuarial valuation, the Trustee will take into account the results in its investment policy for the Scheme.

3. What risks does the Trustee consider and how are these measured and managed?

When deciding how to invest the Scheme’s assets, the Trustee considers a wide range of risks, including, but not limited to, those set out in Appendix A. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk. What the Trustee determines to be an appropriate level of risk is also set out in Appendix A.

4. Summary of the Scheme’s investment strategy

4.1. What is the investment strategy?

The Scheme’s liabilities are in respect of current pensioner liabilities. The Trustee’s investment policy is to hold assets that match broadly these liabilities in terms of their link to inflation and expected average term to payment. Following the initial results of the 31 March 2017 actuarial valuation, the Trustee reviewed the Scheme’s investment strategy, and in particular the cash flow profile of the assets versus the projected benefit payments. The result of the review was that the Trustee decided to restructure the Scheme’s assets to achieve a closer match against the liabilities.

To achieve this, the Scheme’s investment policy is to invest in pooled funds that hold index-linked gilts and absolute return bonds, based on the following initial strategic allocation.

<table>
<thead>
<tr>
<th>Asset class / Fund</th>
<th>Initial strategic allocation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index-linked gilts</td>
<td>89.0%</td>
</tr>
<tr>
<td>2024 index-linked gilts fund</td>
<td>21.20%</td>
</tr>
<tr>
<td>2027 index-linked gilts fund</td>
<td>18.25%</td>
</tr>
<tr>
<td>2032 index-linked gilts fund</td>
<td>18.25%</td>
</tr>
<tr>
<td>2037 index-linked gilts fund</td>
<td>11.40%</td>
</tr>
<tr>
<td>2040 index-linked gilts fund</td>
<td>11.40%</td>
</tr>
<tr>
<td>2047 index-linked gilts fund</td>
<td>3.00%</td>
</tr>
<tr>
<td>2050 index-linked gilts fund</td>
<td>3.00%</td>
</tr>
<tr>
<td>2055 index-linked gilts fund</td>
<td>2.50%</td>
</tr>
<tr>
<td>Absolute return bonds</td>
<td>11.0%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The Scheme’s actual asset allocation will differ from the above initial strategic allocation with time as the individual index-linked gilt funds will gradually mature.
and also as disinvestments are made from the assets to meet liability payments. In particular, the Trustee has agreed a cash flow policy to meet member benefit payments and other expenses, so that the asset allocation will naturally develop over time more in line with the maturing of the Scheme’s liabilities. The Trustee will review this cash flow policy from time to time to ensure it remains appropriate.

4.2. **What did the Trustee consider in setting the Scheme’s investment strategy?**

In setting the investment strategy, the Trustee considered:

- the Scheme’s investment objectives;
- the best interests of the members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level of the Scheme, and the strength of the covenant of the Principal Employer to the Scheme;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Scheme’s overall level of investment risk and the balance of individual asset risks are appropriate; and
- the Trustee’s investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

Some of the Trustee’s key investment beliefs are set out below.

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- risks that are typically not rewarded should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, can be better value;
- environmental, social and governance (ESG) factors, including but not limited to climate-related factors, are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
4.3. What assumptions were made about the returns on different asset classes?

As at 30 June 2019, the yield on long-dated gilts was 1.4%. The funding of the Scheme is based (inter alia) on the assumptions that the returns earned on the Scheme’s assets will equal the yield on gilts.

5. Appointment of investment managers

The Trustee has decided to appoint Legal & General Assurance (Pensions Management) Limited to manage all of the Scheme’s assets.

5.1. What formal agreements are there with the investment manager?

The Trustee has a Policy Document with Legal & General Assurance (Pensions Management) Limited which, together with subsequent amendments, sets out in detail the arrangements under which the Scheme’s assets will be managed. Legal & General Assurance (Pensions Management) Limited have delegated their investment responsibilities to Legal & General Investment Management (“LGIM”). As such, LGIM is responsible for the day to day investment management of the pooled vehicles in which the Scheme invests. LGIM is authorised under the Financial Services and Markets Act 2000 to carry out such activities. LGIM is responsible for the safekeeping of the Trustee’s unit holdings in their pooled funds and the custody arrangements for the underlying assets of these funds.

For the purposes of this SIP, LGIM is defined as the “investment manager”.

5.2. What is the Trustee’s policy in relation to monitoring and assessing the arrangements with the investment manager?

The Trustee has limited influence over manager’s investment practices because all the Scheme’s assets are held in pooled funds, but encourages the manager to improve its practices where appropriate.

The Trustee’s view is that the fees paid to the investment manager, and the possibility of its mandate being terminated, ensure it is incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice the manager cannot fully align its strategy and decisions to the (potentially conflicting) policies of all its pooled fund investors in relation to strategy, long-term performance of debt issuers, engagement and portfolio turnover.
It is the Trustee’s responsibility to ensure that the manager’s investment approach is consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects the investment manager, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt issuers, and to engage with issuers to improve their performance. The Trustee assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The duration of a manager’s appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee’s policy is to evaluate its investment manager by reference to the manager’s individual performance as well the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. The manager’s remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment manager. The Trustee expects its investment adviser to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme’s investment mandates.

The Scheme has no Additional Voluntary Contribution (“AVC”) arrangements.

Details of the investment manager’s investment benchmarks and guidelines are given in Appendix B.

6. Other matters

6.1. What is the Trustee’s policy on the realisation of investments?

The Trustee regularly monitors the cash flow requirements for the Scheme. It has put in place procedures with the investment managers and its administrators for the realisation of any investments to meet cash flow requirements.
6.2. What is the Trustee's policy on financially material and non-financial matters?

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its investment managers (where appropriate) to take account of financially material considerations (including climate change and other ESG considerations) when making investment decisions. It seeks to appoint managers that have appropriate skills and processes to do this, and may consider investing in funds (where appropriate) that demonstrate the incorporation of ESG factors, including climate-related factors, into the investment process. The Trustee will, from time to time review how its managers are taking account of these issues in practice, for example by meeting with managers at regular ISC meetings.

The Trustee has limited influence over managers’ investment practices where assets are held in pooled funds. However it encourages its managers to improve their practices where appropriate.

The Trustee has considered whether to take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries and the principal employer, rather than considerations of financial risk and return) in the selection, retention and realisation of investments, and have decided not to.

6.3. What is the Trustee's policy on the exercise of investment rights?

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Scheme’s investment strategy does not involve investment in equities and therefore the exercising of ownership rights attached to equities is not directly applicable. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, and engagement with issuers of debt and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations. The Trustee does not monitor or engage directly with issuers or other holders of debt.

The Trustee expects the investment managers to demonstrate good stewardship practices with regards exercising ownership rights and undertaking...
monitoring and engagement, considering the long-term financial interests of the beneficiaries.

The Trustee will review how its managers are performing with regards to this, for example by reviewing managers’ general policies on stewardship, as provided to the Trustee from time to time, and discussing this subject with managers at regular ISC meetings.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

6.4. What are the responsibilities of the various parties in connection with the Scheme’s investments?

Appendix C contains brief details of the respective responsibilities of the Trustee, the investment consultant and the investment manager. Appendix C also contains a description of the basis of remuneration of the investment consultant and the investment manager.

6.5. Does the Trustee make any investment selection decisions?

Before making any investment decision, the Trustee obtains written advice. The written advice considers the suitability of the investment, the need for diversification and the principles contained in this SIP. It is also the Trustee’s policy to review its own investment selection decisions on a regular basis, based on written advice.

7. Review

The Trustee will, from time to time, review the appropriateness of this SIP with the help of its advisers, and will amend the SIP as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

Signed: [Signature] Date: 30/09/2019

For and on behalf of The Trustee of the United Newspapers Executive Pension Scheme

Information Classification: General
The Trustee’s policy towards risk

A.1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustee is willing to bear within the Scheme in order to meet its investment objectives. Taking more risk may mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action.

Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long term objectives before attainment of those objectives is seriously impaired. The Trustee aims to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors, including:

- the strength of the employer’s covenant and how this may change in the near/medium future;
- the Scheme’s funding target;
- the Scheme’s liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;
- the Scheme’s cash flow and target return requirements; and
- the level of expected return and expected level of risk, now and as the strategy evolves.

When deciding on the current investment strategy, the Trustee reviewed the expected level of risk and believed this level of risk to be appropriate given the Trustee’s and employer’s risk appetite and capacity, and the Scheme’s objectives.

A.2. Approach to managing and monitoring investment risks

The Trustee considers that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

A.2.1. Strategic risk

This is the risk that the Scheme’s assets do not achieve the rates of return anticipated over the longer term. This risk is fundamental to the Trustee’s investment strategy review and will be monitored by the Trustee on a regular basis.
A.2.2 Inadequate long-term returns

A key objective of the Trustee is that, over the long-term, the Scheme should have adequate resources to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Scheme to produce an adequate long-term return in excess of the liabilities.

A.2.3 Investment manager risk

This is the risk that the investment manager fails to meet its investment objectives. The Trustee monitors the investment manager on a regular basis.

A.2.4 Lack of diversification risk

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Trustee’s ability to meet its investment objectives.

The Trustee believes that the need for the Scheme’s assets to be adequately diversified between different asset classes and within each asset class has been met by the strategy outlined in Section 4.2 and by the guidelines agreed with the investment manager.

A.2.5 Liquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due or that the Scheme will become a forced seller of assets in order to meet benefit payments. The Trustee is aware of the Scheme’s cash flow requirements and believes that this risk is managed appropriately via the measures described in Section 6.1.

A.2.6 Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are potential sources of risk to the Scheme’s investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

A.2.7 Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
The Scheme is subject to credit risk because it invests in bonds via pooled funds. The majority of the Scheme’s bond exposure is through UK government bonds, which the Trustee deems to have a low credit risk. For the absolute return bond fund, the investment manager of this pooled fund manages credit risk by having a diversified exposure to bond issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to bonds rated below investment grade. The magnitude of credit risk within the fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

A.2.8 Currency risk

Whilst the majority of the currency exposure of the Scheme’s assets is to Sterling, the Scheme may be subject to currency risk because some of the investment manager’s holdings within the absolute return bond fund could be in overseas (non-Sterling) markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate.

A.2.9 Interest rate and inflation risk

The Scheme’s assets are subject to interest rate and inflation risk because they are invested in bonds, with the majority in index-linked gilts. However, the interest rate and inflation exposure of the Scheme’s assets aim to hedge closely the corresponding risks associated with the Scheme’s liabilities.

The net effect of the Trustee’s approach to interest and inflation risk will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to manage exposures to these risks in this manner and to review them on a regular basis.

A.2.10 Other risks

The Trustee recognises that there are other, non-investment, risks faced by the Scheme. Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk, for whatever reason, that the sponsoring employers are unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme’s funding position falls below what is considered an appropriate level. By understanding and considering each of the risks that contribute to funding risk, the Trustee believes that it has addressed and is positioned to manage this general risk.
**Investment manager arrangements**

**Legal & General Assurance (Pensions Management) Limited**

The Trustee has a Policy Document with Legal & General Assurance (Pensions Management) Limited which, together with subsequent amendments, sets out in detail the terms under which the Scheme’s index-linked gilts and absolute return bonds are managed.

The Scheme’s absolute return bonds allocation is invested in LGIM’s Absolute Return Bonds Fund. The objective of the Absolute Return Bond Fund is to achieve a total return of 3-month LIBOR + 1.5% pa (before the deduction of fees), over rolling three year periods.

The Scheme’s index-linked gilt allocation is invested in a number of LGIM’s individual index-linked gilt funds. The objective of each of the index-linked gilt funds is to track the performance of the underlying gilt shown below:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Underlying Gilt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2024 ILG Fund</td>
<td>Treasury 0.125% 2024 Index-Linked Gilt</td>
</tr>
<tr>
<td>2027 ILG Fund</td>
<td>Treasury 1.250% 2027 Index-Linked Gilt</td>
</tr>
<tr>
<td>2032 ILG Fund</td>
<td>Treasury 1.250% 2032 Index-Linked Gilt</td>
</tr>
<tr>
<td>2037 ILG Fund</td>
<td>Treasury 1.125% 2037 Index-Linked Gilt</td>
</tr>
<tr>
<td>2040 ILG Fund</td>
<td>Treasury 0.625% 2040 Index-Linked Gilt</td>
</tr>
<tr>
<td>2047 ILG Fund</td>
<td>Treasury 0.750% 2047 Index-Linked Gilt</td>
</tr>
<tr>
<td>2050 ILG Fund</td>
<td>Treasury 0.500% 2050 Index-Linked Gilt</td>
</tr>
<tr>
<td>2055 ILG Fund</td>
<td>Treasury 1.250% 2055 Index-Linked Gilt</td>
</tr>
</tbody>
</table>

The funds are priced weekly. The funds are open-ended and are unlisted.

LGIM is responsible for custody of the assets of the fund. Generally, responsibility for UK assets is delegated to HSBC and responsibility for all other assets is delegated to Citibank. Investments are held in the name of the custodian’s nominee company, in line with common practice for pension scheme investments. The Trustee does not have a direct relationship with the custodian.
Responsibilities and fees

C.1. Responsibilities and investment decision-making structure

The Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee’s understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service.

C.2. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employer and after receiving advice from its advisers;
- developing a mutual understanding of investment and risk issues with the employer;
- reviewing the investment policy following the results of each valuation, and/or after any review of investment strategy (eg any asset liability modelling exercise);
- appointing (and, when necessary, dismissing) the investment managers and the investment consultant;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- communicating with members as appropriate on investment matters, such as the Trustee’s assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

C.3. Investment manager

In broad terms, the investment manager is responsible for:
managing the respective portfolios, within the guidelines agreed with the Trustee;

- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;

- exercising rights (including voting rights) attached to investments and undertaking engagement activities in respect of investments; and

- providing the Trustee with regular information concerning the management and performance of its portfolios.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee, or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

C.4. Investment adviser

In broad terms, the investment adviser is responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on how material changes within the Scheme’s benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;

- advising on the selection, and review, of the investment managers. Such advice takes account of LCP’s assessment of the nature and effectiveness of managers’ approaches to financially material considerations (including climate change and other ESG considerations) and stewardship practices; and

- participating with the Trustee in reviews of this SIP.

C.5. Mandates given to advisers and investment managers

The Trustee has in place signed agreements with the Scheme’s advisers and investment managers. These provide details of the specific arrangements agreed by the Trustee with each party. Copies of these mandates are available for inspection from the Pensions Manager.

C.6. Fee structures

The Trustee has agreed Terms of Business with the Scheme’s investment adviser, under which charges are calculated on a “fixed-fee” or “time-cost” basis.

The investment manager receives fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the manager’s general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee’s view as to the most appropriate arrangements for the
C.7. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee’s policy to assess the performance of the Scheme’s investments, investment manager and professional advisers from time to time. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

C.8. Working with the Scheme’s employer

When reviewing matters regarding the Scheme’s investment arrangements, such as the SIP, the Trustee gives due consideration to the employer’s perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the employer, the Trustee believes that better outcomes will generally be achieved if the Trustee and employer work together collaboratively.