UTV Pension & Assurance Scheme (the "Scheme")

Statement of Investment Principles

March 2023

1. Introduction

UTV Pension Scheme Limited, the Trustee of the UTV Pension & Assurance Scheme (the “Scheme”) have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. The Trustee’s investment responsibilities are governed by the Scheme’s Trust Deed and Rules, of which this Statement takes full regard. This statement replaces the one dated May 2022.

In preparing this Statement, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”). In addition, consultation has been undertaken with UTV Limited (the “Principal Employer”) to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Scheme’s investment arrangements and, in particular on the Trustee’s objectives.

The Statement will be reviewed following any significant change in the Scheme’s investment arrangements and, in any event, at least once every three years.

2. Process for Choosing Investments

The Trustee has appointed Mercer to act as discretionary investment manager to implement a delegated Cashflow Driven Investment (“CDI”) strategy whereby the Scheme invests in such a way that expected cashflows should broadly match a proportion of the Scheme’s expected liability cash-flow profile, whilst still targeting a return in excess of gilts (noting that the intention is to match as high a proportion as possible, subject to the level of expected return required).

In this capacity, and subject to agreed restrictions, the Scheme's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day-to-day basis. All of the Scheme's assets are invested with Mercer as part of the CDI strategy. This document refers to all sub-investment managers appointed by Mercer as part of the CDI strategy throughout the remainder of this document.

In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of Mercer, whom the Trustee believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustee's objective is to invest the Scheme's assets in the best interest of the members and beneficiaries and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework, the Trustee has agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustee's primary objectives are set out below:

- To make sure that we can meet our obligations to the beneficiaries of the Scheme;
- To achieve an asset return above the return from gilts over the long term, whilst recognising the need to balance risk control and return generation;
- To pay due regard to the Principal Employer's interests by considering the impact of the investment strategy on the size and incidence of employers' contribution payments; and
- To ensure consistency between the Scheme's investment strategy and the return assumptions used by the Scheme Actuary.

The objectives set out above and the risks and other factors referenced in Section 4 are those that the Trustee determines to be financially material considerations. Non-financial considerations are discussed in section 11.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee's policy on risk management over the Scheme's anticipated lifetime is as follows:

- The primary risk upon which the Trustee focus is that arising through a mismatch between the Scheme's assets and its liabilities.

- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustee has taken advice on the matter and (in the light of the objectives noted previously) considered carefully the implications of adopting different levels of risk.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aim to ensure the asset allocation policy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

- Arrangements are in place to monitor the Scheme's investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments.

- The safe custody of the Scheme's assets is delegated to professional custodians (via the use of pooled funds). State Street Custodial Services (Ireland) Limited is the custodian of the assets invested in the Mercer pooled funds and Mercer is responsible for keeping the suitability of State Street under ongoing review.

- The Trustee recognises that environmental, social and corporate governance concerns, including climate change, may have a financially material impact on return. Section 11 sets out how these risks are managed.

Should there be a material change in the Scheme's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

5. Investment Strategy

The Trustee, with advice from the Scheme's Investment Consultant and the Scheme Actuary, reviewed the Scheme's investment strategy in consultation with the Principal Employer during 2017. This review considered the Trustee's investment objectives, their ability and willingness to take risk (the risk budget) and how this risk budget should be allocated and implemented.

Following the review, the key decision was to seek a long-term solution to 'cashflow match' the Scheme's assets relative to its liabilities over time using a CDI solution. The Trustee decided to engage Mercer to implement their CDI solution via a delegated route.

The CDI solution aims to:

- Match a high proportion of the Scheme's expected liability cashflows over at least the next c.5 years by investing in predominantly income-generating asset classes such that expected asset cash-flows should broadly match the Scheme's expected liability cash-flow profile.

At inception (March 2018) it was agreed that the discount rate would be gilts +0.5% p.a. plus changes in credit spread. At the most recent review in January 2023 the discount rate was gilts +0.70% p.a. as at 31 December 2022 (the analysis date for the 2023 review) plus 25% of the change in credit spread (according to a suitable index chosen by the Mercer) going forward.

With this in mind, the Trustee has agreed that the Scheme's broad asset allocation on implementation of the last investment strategy in March 2023 should be as set out in the table below:

Asset Class	Target Asset Allocation on Implementation* (%)	Implementation Range (%)
Hedge Management	35.8	+/-5
Non-Hedge Management	64.2	+/-5
Total	**100.0**	

*Implementation date was 24 March 2023

There will be no automatic rebalancing between the Hedge Management portfolio and Non-Hedge Management portfolio. Monies are invested or disinvested so far as applicable to maintain the asset allocation of the Scheme as stipulated in the table above.

The Hedge Management portfolio comprises investments in a portfolio of Liability Driven Investment funds ("Mercer LDI funds"), Mercer fixed income, index-linked funds, swap funds, cash funds and any other Mercer funds and in such proportion as determined by the manager in its discretion.

There will be no automatic rebalancing within the Hedge Management portfolio. In the event that it is not possible to achieve the Liability Hedge Ratio Target through the assets available within the Hedge Management portfolio, the manager will move as close as is practicably possible to the Liability Hedge Ratio Target and then revert to the Trustee for further instruction. The "Liability Hedge Ratio" is the proportion of the liability interest rate sensitivity (both nominal and real in combination) that is hedged at a given point in time. The manager will review the actual Liability Hedge Ratio no less frequently than quarterly using the manager methodology.

The CDI strategy targets a hedge ratio of 100% of interest rates and inflation. This is predominantly achieved through the assets held within the Hedging Portfolio with consideration of the interest rate / inflation sensitivity of the Hedge Portfolio. The Trustee acknowledges that they may be constrained in achieving the target liability hedge ratio by a number of factors including, without limitation, a significant allocation to the Non-Hedge Management Portfolio and/or a reasonable level of leverage (as determined by Mercer) in the Hedge Management Portfolio. In the event that the target liability hedge ratio is not reached through rebalancing of the Hedge Management Portfolio then the Mercer will move as close as is practicable to the target hedge ratio through rebalancing of the Hedge Management Portfolio and revert to the Trustee for further instruction.

The Hedge Management Portfolio may comprise investments in the following funds or any Mercer fund deemed suitable for investment following the date of the SIP:

Fund Name	Benchmark Index	Performance Target (%p.a.)[1]	Tracking Error Expectation (%p.a.)[2]
MGI UK Long Gilt	FTSE A Over 15 Year Gilts Index	Perform in line with the benchmark	Less than 0.25
MGI UK Inflation Linked Bond	FTSE A Over 5 Year Index-Linked Gilts Index	Perform in line with the benchmark	Less than 0.25
Mercer Sterling Nominal LDI Bond	n/a [3]	n/a	n/a
Mercer Sterling Inflation Linked LDI Bond	n/a [3]	n/a	n/a
Mercer Flexible Enhanced Matching Fixed – Medium and Long	Exact benchmark will be fund dependent [4]	Perform in line with the benchmark	n/a
Mercer Flexible Enhanced Matching Real – Short, Medium and Long	Exact benchmark will be fund dependent [4]	Perform in line with the benchmark	n/a
Mercer Flexible Enhanced Matching Inflation	Exact benchmark will be fund dependent [4]	Perform in line with the benchmark	n/a
MGI UK Cash	Citigroup 1 Month GBP Deposit	n/a	0.5

1. Measured over rolling 5 year periods unless otherwise stated.
2. This is the expected deviation from the benchmark for each fund, for two years in three.
3. These funds invest in a range of gilts and gilt strips defined by Mercer and so have no quoted benchmark.
4. The funds aim to perform in line with composite benchmarks made up of the respective gilts.

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Mercer Flexible Enhanced Matching Fixed – Medium and Long	Exact benchmark will be fund dependent [4]	Perform in line with the benchmark	n/a
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Mercer Flexible Enhanced Matching Inflation	Exact benchmark will be fund dependent [4]	Perform in line with the benchmark	n/a
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4. The funds aim to perform in line with composite benchmarks made up of the respective gilts

The Non-Hedge Management Portfolio will comprise investments in the following funds with the following broad asset allocations:

Fund Name	Broad Asset Allocation (%)	Benchmark Index	Performance Target (%p.a.)[1]	Tracking Error Expectation (%p.a.)[2]
Mercer Tailored Credit Fund 1	60.7	n/a [3]	n/a	n/a
Schroder Secured Finance	9.1 [4]	FTSE GBP 1 Month Euro Deposit Index	**Long Term Objective:** Cash +3% p.a. (net of fees)	n/a
Insight Secured Finance	9.1 [4]	IBA UK Interbank LIBOR 3 Month	**Long Term Objective:** Cash +3% p.a. (gross of fees)	n/a
Mercer Multi-Asset Credit Fund	21.1	50% Merrill Lynch Global High Yield Constrained (£ Hedged) Index; 50% S&P100 US Leveraged Loan Index (£ Hedged)	**Long term primary objective:** Cash +3-5% p.a. (net of manager fees) **Medium-term and secondary objective:** To achieve better risk-adjusted returns than the reference index	5.0 - 10.0[5]

1. Measured over rolling 5 year periods unless otherwise stated.
2. This is the expected deviation from the benchmark for each fund, for two years in three.
3. This fund is not comparable to a benchmark index due to the nature of buy and maintain strategies, and hence has no quoted benchmark or tracking error target. The fund aims to capture the credit spread premium in the most efficient way by investing in a diversified portfolio of bonds.
4. Although Mercer has discretion over the split between the two funds, the split is intended to be equal and does not change.
5. Expressed as expected volatility (annualised standard deviation of monthly returns) ranges given these strategies have a cash plus objective.

There will be no automatic rebalancing within the Non-Hedge Management portfolio.

6. Expected Return

The Trustee has adopted a long-term investment strategy to meet their primary objective of achieving an investment return that is consistent with the discount rate used to value the liabilities.

7. Cashflow and cashflow management

De-leveraging and re-leveraging

In the event of a de-leveraging or re-leveraging (of LDI funds), Mercer will review the Scheme's overall asset allocation and has discretion to implement any trades/ rebalancing deemed to be appropriate in order to maintain the level of interest rate and inflation sensitivity as far as possible (with the exception of rebalancing between the Hedge Management and Non-Hedge Management portfolios and making any sales of assets invested in the Non-Hedge Management portfolio). Mercer will seek to notify the Trustee as soon as practicable, ideally prior to implementation of the relevant trades (if this is possible).

Distributions

Income or capital distributions from the inflation linked bonds, long dated credit, multi-asset credit and secured finance investments will be paid into the Trustee bank account to be used to meet benefit payments.

Benefit Payments

Mercer has delegated responsibility for disinvesting to provide cashflow to meet benefit payments while maintaining the dual objectives of maintaining the liability hedging and expected return capabilities of the strategy.

Investments

In the event that assets are reinvested into the low risk investment strategy, Mercer has delegated responsibility to select investments to maintain the dual objectives of maintaining the liability hedging and expected return capabilities of the strategy.

8. Additional Assets

Under the terms of the trust deed the Trustee is responsible for the investment of any Additional Voluntary Contributions ("AVC's") paid by members. The Scheme provides members a facility to make AVCs to enhance their benefits at retirement. Members are offered a range of funds in which to invest their AVCs with Prudential. The Trustee's objective is to provide a range of funds which will provide suitable long-term returns for members, consistent with the members' reasonable expectations.

With the assistance of Mercer, these arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the Trustee and the needs of the members.

9. Realisation of investments

The Trustees on behalf of the Scheme hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

10. Environmental, Social, and Corporate Governance, Stewardship, and Climate Change

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.

As noted above, the Trustee has appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets and such assets are invested in a range of Mercer Funds managed by MGIE as the Trustee believes that the delegation of portfolio construction to Mercer will lead to ESG considerations that are in the best interests of the Scheme as a whole. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Stewardship Code.

The United Nations' Sustainable Development Goals (SDGs) inform Mercer's long term investment beliefs and direct Mercer's and the Trustee's thinking when it comes to converting systemic risks into transformational investment opportunities as outlined in Mercer's Sustainability Policy.

The Trustee considers how ESG, climate change and stewardship is integrated within Mercer's and MGIE's investment processes and those of the underlying asset managers in the monitoring process. However, the Trustee acknowledges that given the nature of their investments (bond and bond like assets that do not have associated voting rights that would allow the Trustee and Mercer to directly impact an issuer's policies) and the limited data currently available, there is a limited scope for integration. Mercer and MGIE are expected to provide reporting to the Trustee on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results and climate-related metrics. The Trustee expects Mercer to enhance their monitoring, reporting and engagement and integration as the industry evolves and the level and quality of data available improves.

The Trustee recognises the conflict of interest which may arise in the context of responsible investment and the limited scope for directly influencing ESG related policies and activities (given the bond and bond like nature of the Scheme's investments not having associated voting rights which are a key manner in which investment managers are able to influence policies related to ESG matters).

Mercer and MGIE make investment decisions with the aim of improving long-term risk adjusted returns and assess whether selected sub-investment managers have policies and procedures that manage conflicts in relation to stewardship prior to appointing a sub-investment manager into a Fund and thereafter carry out ongoing assessments. Sub-investment managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts of interest policies and reported any breaches.

Based on Mercer and MGIE's assessment and the sub-investment managers' reporting, all else equal, managers who display better ESG capabilities will be appointed by Mercer and MGIE. Following these appointments, on an ongoing basis the regular assessments and reporting form a key part of Mercer and MGIE's policy to engage on the Trustee's behalf with investment managers to improve ESG practices across the industry and further integrate ESG considerations into the investment decision making process.

The Trustee reviews the following reporting on an annual basis:

- The Mercer Sustainability Policy and note the following updates to Mercer's policy:
    - In August 2020 the Stewardship section was updated to reflect an enhanced approach to monitoring both voting and engagement as well as the Exclusions section to include the implementation of certain exclusions across passive funds from 1 October 2020.
    - In March 2021 there was a further update in relation to sustainability–related disclosures in the financial services sector ("SFDR") implementation.
    - In August 2022 the policy update reflected enhancements to the approach to climate change modelling and transition modelling, additional detail on how the policy is implemented, monitored and governed and, as part of the commitment to promote diversity, finalising MGIE's signatory status to the UK chapter of the 30% Club.
- Where available ESG ratings of all investment managers versus the asset class universe ESG ratings. In addition, ESG ratings are disclosed in the quarterly performance report which is reviewed by the Trustees. ESG ratings are assigned by Mercer (and its affiliates') global manager research team.
- Carbon footprint analysis versus the relevant indices for the Mercer funds where sufficient information is available.

Member views

Member views are currently not taken into account in the selection, retention and realisation of investments, however, the Trustee keeps members updated on ESG considerations from time to time in member communications.

Investment Restrictions

Mercer has given their appointed investment managers restrictions in relation to particular products or activities for all equities and fixed income portfolios. The Trustee has not currently set any investment restrictions in relation to particular Mercer Funds.

11. Trustee's policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustee's investment strategy outlined in section 5, the Trustee is concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustee accepts that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustee expects Mercer to manage the assets in a manner that is consistent with the Trustee's overall investment strategy as outlined in section 5. The Trustee has taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustee's policies, it is open to the Trustee to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustee receives**,** and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Trustee invests. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustee reviews the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustee's focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer nor MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustee is, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustee's own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 10 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustee is a long-term investor and is not looking to change their investment arrangements on an unduly frequent basis. However, the Trustee does keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustee monitors, and evaluates, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 5. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustee, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Funds' Supplements, the Report & Accounts and within the Scheme's annualized, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustee does not have an explicit targeted portfolio turnover range but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

12. Actuary and Investment Consultant

Mercer has also been appointed to provide Actuarial services.

The Scheme Actuary carries out a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The main purpose of the Actuarial Valuation is to assess the extent to which the assets cover the accrued liabilities and agree the Employer's contribution rate.

13. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments, and will take into account the circumstances of the Scheme at the time.

Signed for and on behalf of the UTV Pension Scheme Limited
as Trustee of the UTV Pension & Assurance Scheme

7 December 2023