

Fremantle Group Pension Plan

Statement of Investment Principles – September 2020

1 Introduction

- 1.1 This document constitutes the Statement of investment Principles (“the Statement”) for the Fremantle Group Pension Plan (the “Plan”).
- 1.2 The Plan has three sections. The Final Pay and Thames Sections provide retirement benefits which are defined benefit (“DB”) in nature. The Money Purchase Section provides retirement benefits which are defined contribution in nature (albeit that some of their benefits are subject to a DB underpin). Members have previously also paid Additional Voluntary Contributions (“AVCs”) into the Plan. Members joining the Plan after 29 December 2000 join the Money Purchase Section, whilst former members of the Pearson Plan joined the section which corresponded to their membership status in the Pearson Plan.
- 1.3 The Plan’s assets are held under the legal control of the Plan’s Trustee (“the Trustee”) under a trust constituted by the Company. The operation of the Plan is governed by a Definitive Trust Deed dated 14 December 2000 and any subsequent Deeds of Amendment.
- 1.4 Members of the Plan have previously made AVCs which are separately invested and are used to provide additional pensions on a money purchase basis.
- 1.5 The purpose of this Statement is to document those investment principles, guidelines and procedures which are appropriate for the Plan, in a manner required by the Pensions Act 1995 and its subsequent amendments (“the Act”). The DB Sections and the Money Purchase Section are considered separately within this Statement. This Statement has been prepared in accordance with Section 35 of the Act. It is also consistent with the updated Investment Governance Group framework within which the Myners’ voluntary code of practice sits.
- 1.6 The Trustee is responsible for all aspects of the operation of the Plan including this Statement, although consultation with the Company has been carried out as required by the Act. The Trustee has received investment consulting advice, which is documented within this statement, from Isio.
- 1.7 This Statement was formally established by the Trustee with effect from 24 September 2019. The Statement will be maintained by the Trustee and will be reviewed as least every three years and whenever there has been a significant change in investment policy.
- 1.8 This statement remains the property of the Trustee. Reproduction of any kind by other parties is not permitted without prior agreement of the Trustee.
- 1.9 The Trustee recognises that its contractual relationship with the current investment managers is governed by the terms of the particular investment manager agreements that are in place and the prospectuses of the respective pooled funds in which the Plan invests. However, any party providing services in

connection with the operation of the Fund must act with reference to this Statement. Therefore, a copy of the Statement is to be forwarded for the attention of the investment managers.

2 Employer-related investments

- 2.1 The Trustee's policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 and any subsequent legislative amendments.

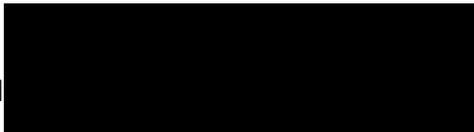
3 Governance

- 3.1 The Trustee makes all major strategic decisions including, but not limited to the choice of investment options available to members in the Money Purchase Section, and the appointment and termination of investment managers.
- 3.2 When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisers, Isio, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Plan.

4 Compliance

- 4.1 This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring employer and took appropriate written advice.

Signed



Date: 24 sept. 2020

For and on behalf of the Trustee of Fremantle Group Pension Plan

Money Purchase Section

5 Trustee Objectives and Administration of the Plan

- 5.1 The Trustee’s primary objective is to ensure that the investment strategy gives members options that enable them to adequately deal with the different risks that face them at different times.
- 5.2 The Trustee recognises that the Plan’s investments are subject to risk and these have been set out in Appendix A.
- 5.3 Members in the Money Purchase Section have a DB Reference Scheme Test (“RST”) underpin. Depending on the level of contributions chosen by the member and the investment performance of the member’s investment account, the RST underpin may be more valuable than the Money Purchase benefits. The existence of the RST underpin means that the Statutory Funding Objective applies to the Money Purchase Section as well as to the DB Sections. The Trustee and the Company therefore retain investment risk in respect of Money Purchase Section members.
- 5.4 The Trustee seeks regular advice from the Investment Adviser.

6 Investment strategy – Freestyle

- 6.1 The investment objective is implemented through offering the following range of investment funds. In order to address the various risks associated with investing retirement savings, the Trustee has selected a range of Freestyle investment options with Legal and General and BlackRock:

Fremantle Fund	Underlying Fund(s)
LGIM Fremantle UK Equity Index	LGIM UK Equity Index
LGIM Fremantle World (ex UK) Index	LGIM World (ex UK) Equity Index
LGIM Fremantle Global Equity MW (50:50)	LGIM Global Equity Market Weights (50:50) Index
LGIM Fremantle Global Equity MW (30:70) Index - 75% Currency Hedged	LGIM Global Equity Market Weights (30:70) Index - GBP 75% Currency Hedged
LGIM Fremantle Consensus Index	LGIM Multi-Asset (formerly Consensus)
LGIM Fremantle BlackRock ALMA Fund	BlackRock Aquila Life Market Advantage Fund
LGIM Fremantle Over 5y Index-Linked	Over 5 Year Index-Linked Gilts Index
LGIM Fremantle Bond	55% LGIM AAA-AA-A Corporate Bond All Stocks Index and 45% LGIM All Stocks Gilts Index
LGIM Fremantle Investment Grade Corporate Bond All Stocks Index	LGIM Investment Grade Corporate Bond - All Stocks - Index
LGIM Fremantle All Stocks Index-Linked Gilts	LGIM All Stocks Index-Linked Gilts Index
LGIM Fremantle Cash	LGIM Cash
LGIM Fremantle Ethical UK Equity Index	LGIM Ethical UK Equity Index

- 6.2 Members in the Money Purchase Section may select the Freestyle option and choose between the different investments funds offered by the Plan.
- 6.3 No single option is expected to be sufficient to manage all of the various risks associated with Money Purchase investment at all times. However, the range of investment options chosen by the Trustee is designed to be wide enough to enable members to manage the risks identified as they become relevant, according to each member's individual criteria and circumstances, whilst still recognising that the Trustee bears an element of investment risk.

7 Investment strategy – Lifestyle Options

Default Lifestyle Option

- 7.1 For members who do not make an investment choice, and also for those who specifically choose, the Trustee invests their assets in the default lifestyle option. The objective of this option is to maximise long-term returns, while providing some protection against fluctuations as the member nears retirement. This option is likely to be suitable for members who are planning to take a single lump sum, or series of lump sums (drawdown) at retirement.
- 7.2 Under this option, up to 10 years before normal retirement, the underlying investments will be invested in the LGIM Fremantle Global Equity Market Weights (30:70) Index – 75% Currency Hedged Fund which combines UK and overseas equities, and the LGIM Fremantle BlackRock ALMA (“Aquila Life Market Advantage”) Fund, a diversified growth fund.
- 7.3 As members approach retirement, the pension fund will gradually and automatically be switched into lower-risk investment funds comprising of:
- the LGIM Fremantle BlackRock ALMA Fund;
 - the LGIM Fremantle Investment Grade Corporate Bond All Stocks Index Fund;
 - the LGIM Fremantle All Stocks Index-Linked Gilts Index Fund.
- 7.4 These switches will be carried out on a pre-determined basis, over a 10 year period before retirement age. Thereafter, corporate bonds will be gradually introduced together with a higher allocation to gilts. The last year before retirement, the fund will hold an allocation of diversified growth, corporate bonds and gilts.

7.5 The current “Lifestyle Choice” switching programme matrix is supplied below. The table shows the percentage distribution of a member's investment between the funds at various time periods from the member's retirement date.

Years to normal retirement	Investment Fund			
	LGIM Fremantle Global Equity Market Weights (30:70) Index - 75% Currency Hedged Fund (%)	LGIM Fremantle BlackRock ALMA Fund (%)	LGIM Fremantle Investment Grade Corporate Bond All Stocks Index Fund (%)	LGIM Fremantle All Stocks Index-Linked Gilts Index Fund (%)
10+	50	50	-	-
9-10	45	49	3	3
8-9	40	48	6	6
7-8	35	47	9	9
6-7	30	46	12	12
5-6	25	45	15	15
4-5	20	44	18	18
3-4	15	43	21	21
2-3	10	42	24	24
1-2	5	41	27	27
0-1	-	40	30	30

Legacy Lifestyle Option

7.6 The Plan also has a legacy lifestyle option, which was the Plan’s default lifestyle option prior to 31 March 2017. Members who were invested in this option before 31 March 2017 could opt to remain invested. This lifestyle option aims to maximise long-term returns, while providing some protection against fluctuations between equity values and annuity prices as the member nears retirement. This option is likely to be suitable for members who are planning to purchase an annuity at retirement.

7.7 The legacy “Lifestyle Choice” switching programme matrix is supplied below.

Years to normal retirement	Investment Fund		
	LGIM Fremantle Consensus Index Fund (%)	LGIM Fremantle Bond Fund (%)	LGIM Fremantle Cash Fund (%)
6+	100	-	-
5-6	80	20	-
4-5	60	40	-
3-4	50	50	-
2-3	40	60	-
1-2	25	75	-
0-1	-	75	25

- 7.8 While members may choose any mix of individual funds, a lifestyle option cannot be combined with other funds — this is because a lifestyle option is designed to specify an appropriate asset allocation according to the member’s age, and combining this with other funds would defeat the purpose of the lifestyle structure.
- 7.9 The Trustee expects the long-term return on equity funds to significantly exceed inflation, and to exceed returns from most other asset classes. The long-term return on bond funds is expected to be lower than that from equities, however, bond values are anticipated to broadly match the movement of annuity prices, providing some protection for the amount of pension that can be secured on retirement (should members choose to purchase an annuity). The long-term return on cash funds is expected to be lower than that from equities and bonds, however, investing in cash provides some protection against fluctuations in asset values, and may be appropriate for members receiving part of their retirement benefit in the form of a lump sum.
- 7.10 The investment options are regularly reviewed to ensure that the range remains suitable. The Trustee provides information to members to assist them in managing their own investment risk within the choice of funds available to them. Members are also encouraged to take independent financial advice.
- 7.11 Management of fund-choice risk is otherwise carried out by the operation of the lifestyle options described above.
- 7.12 The assets held within each investment option are and will be suitably diversified, to spread the risks of investing. The assets of the Plan consist predominantly of investments admitted to trading on regulated markets.

8 Manager structure

- 8.1 The Trustee has appointed a single Money Purchase provider, Legal and General (“L&G”). The investment options are implemented through pooled funds listed in the section “Investment Strategy”. All funds are accessed via L&G’s investment platform. The assets invested in the LGIM Fremantle BlackRock ALMA Fund are managed by BlackRock. All other funds are pooled funds managed by L&G. Both managers are regulated by the Financial Conduct Authority.
- 8.2 All decisions about the day-to-day management of the assets within each pooled fund have been delegated to the investment managers. This delegation includes decisions about:
- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
 - The exercise of rights (including voting rights) attaching to the investments;
 - Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

- 8.3 The Trustee takes the investment managers' policies in the above respects into account when selecting and monitoring managers. The investment managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable. The Trustee regularly reviews the investment managers' performance and investment policies.
- 8.4 The investment managers' remuneration is based upon a percentage value of the assets under management. The fees have been negotiated to be competitive.
- 8.5 As the Plan's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment managers. The custodian provides safekeeping for the assets, and performs all associated administrative duties such as the collection of dividends.

9 Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Plan's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	<ul style="list-style-type: none"> The Trustee receives an annual performance report and quarterly performance updates which are considered at the relevant Trustee meeting. 	<ul style="list-style-type: none"> There are significant changes made to the investment strategy of any of the Plan's funds. The risk levels within any of the Plan's funds have increased to a level above and beyond the Trustee's expectations. Underperformance of any of the Plan's funds vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> The Trustee will monitor how the investment managers have engaged with issuers regarding social, environmental and corporate governance issues. The Trustee receives information from their investment advisers on the investment managers' approach to engagement. 	<ul style="list-style-type: none"> The manager has not acted in accordance with their policies and frameworks. The manager's policies are not in line with the Trustee's policies in this area.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

Defined Benefit Sections

10 Trustee Objectives and Administration of the Plan

- 10.1 The primary investment objective of the Trustee is the maintenance of solvency and control of the risk of insolvency at an appropriate level.
- 10.2 The Trustee has sought to ensure long-term solvency of the Plan through holding a buy-in policy, which covers all of the pensioner and deferred member liabilities.
- 10.3 The Trustee seeks regular advice from the Investment Adviser.
- 10.4 The Trustee has appointed Pension Insurance Corporation (“PIC”) and Legal and General Investment Management (“LGIM”) as Investment Managers, and has set out instructions as to the strategy to be followed.
- 10.5 Financial statements of the Plan will be prepared and audited by an independent auditor in accordance with applicable statutory regulations.

11 Permitted Categories of Investment

- 11.1 The Trustee has very wide powers of investment under the Trust Deed and Rules and Section 34(1) of the Pensions Act 1995. Details of the permitted categories of investment can be found in the Trust Deed and Rules.
- 11.2 In addition to the limitations set out in the Trust Deed and Rules, individual managers will adhere to the specific limitations set out in the individual investment manager agreements.

12 Investment strategy

- 12.1 The Plan’s present strategy is to invest in an insurance policy that covers all of the pensioner and deferred members’ DB liabilities.
- 12.2 The characteristics of a buy-in policy have been deemed to be appropriate, having taken the Trustee’s objective into account.
- 12.3 There is also a residual holding in a AAA-AA-A Corporate Bond Fund to cover any potential shortfall that might arise due to the defined benefit Reference Scheme Test underpin to the Money Purchase section.

13 Manager Structure

- 13.1 The assets of the Plan are invested in an insurance policy with PIC and corporate bonds with LGIM.
- 13.2 Cash and cash equivalents may also be held from time to time on a short-term, temporary basis (or as defensive reserves) within the portfolios for each asset

class, at the discretion of the manager and within the constraints prescribed in the Manager's Mandate.

- 13.3 The Trustee will monitor managers against performance objectives, as described in the next section.

14 Realisation of Investments

- 14.1 The Plan's non-buy-in assets are invested in generally marketable investments that can be bought and sold regularly. This is expected to provide the Plan with an adequate level of flexibility in disinvesting, when the need arises.

15 Risk

Buy-in Risk

- 15.1 The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Plan's funding level and therefore contribute to funding risk. These are as follows:

- *The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk").* The Trustee and its advisers considered this risk when setting the investment strategy and have acted to minimise its potential effect via the buy-in policy.
- *The risk of a shortfall of liquid assets relative to the Fund's immediate liabilities ("cashflow risk").* The Trustee and its advisers considered this risk when setting the investment strategy and have acted to minimise its potential effect via the buy-in policy.
- *The failure to spread investment risk ("risk of lack of diversification").* The Trustee and their advisers considered this (and potential counterparty) risk when setting the Plan's investment strategy but paid regard to the overall objective of securing members' benefits.
- *The possibility of failure of the Plan's sponsoring employer ("covenant risk").* The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- *The risk of fraud, poor advice or acts of negligence ("operational risk").* The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Money Purchase Underpin Risk

- 15.2 The risks inherent in the investment strategy over a market cycle (a five to ten year period) are:
- The risk that the market returns will not be in line with expectations; and
 - The risk of annual volatility in returns, which means that in any one year the actual return may be very different from the expected return (such return may also be negative).
- 15.3 The Trustee appreciates that the investment of assets in financial markets results in an exposure to risk that the market returns will not be in line with expectations in the short or medium term. This could lead to the risk of the Plan being or becoming under-funded on a discontinuance or ongoing basis.
- 15.4 In an attempt to control the level of risk to which the Fund is exposed, the Trustee has introduced a number of policies and procedures. These include investing assets in pooled funds so that there is sufficient liquidity for the needs of the Plan and that diversification of investment is achieved.

16 The Investment Managers

- 16.1 As noted in the previous section, PIC will manage the Plan's insurance policies and Legal and General will manage the corporate bond assets on a passive basis, tracking the Markit iBoxx £ Non-Gilts (ex BBB) Index.

17 Fee Details

- 17.1 The Trustee has set the fee structure for its investment managers and investment advisers with reference to standard industry practice.
- 17.2 The Manager charges a percentage of the average value of the Plan's holding. This percentage varies between pooled funds.
- 17.3 Fees are outlined in the Manager's Agreement and the Investment Advisers Agreement.

Appendix A – Risks, Financially Material Considerations and Non-Financial matters

The Plan is exposed to a number of underlying risks relating to the funds which are offered to Plan members and the Money Purchase Underpin, these are summarised below:

Risk	Definition	Policy
Interest rates	The potential for interest rate movements to have an impact on the Plan's bond investments and Money Purchase Underpin.	Members are offered a range of funds to invest in and the default invests in a diverse range of assets to mitigate this risk. The assets held to cover any shortfall from the Money Purchase Underpin are invested in bonds with a view to mitigating the impact of changes in interest rates.
Inflation	The potential that the Plan's investments will not keep pace with inflation.	The Plan offers a number of funds which are expected to outperform inflation, including the default.
Liquidity	The potential that investments cannot be encashed when required.	The funds offered through the Plan invest predominantly in assets which are readily tradable.
Market	The potential for losses due to factors that affect the overall performance of financial markets.	Members are offered a range of funds to invest in and the default invests in a diverse range of assets to mitigate this risk. However the Trustee is aware that in falling markets members may suffer losses.
Credit	The potential for losses due to a holding in a bond fund defaulting on their obligations.	The Plan's bond funds invest in a range of bonds to minimise the impact of any default.
Shortfall / pension conversion risk	The potential that a member has not saved sufficiently for retirement, or suffers an investment loss close to retirement leading to a pension shortfall	The Plan's default and alternative lifestyle options automatically de-risk members as they approach retirement and allow them to target specific retirement outcomes. Members also have a Money Purchase Underpin which guarantees a minimum level of income in retirement.
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	The funds which the Plan invest in are Sterling denominated, however members will still be exposed to currency risk where assets are held overseas on an unhedged basis. The equity fund used in the Plan's default is 75% sterling hedged.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	The Trustee will act in line with their Environmental Social and Governance Policy Statement which is appended to this document.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix B

The Trustee has the following policies in relation to the investment management arrangements for the Plan:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee’s policies.</p>	<ul style="list-style-type: none"> • As the Plan offers members pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee’s policies and member specific requirements. • However, the Trustee have selected the default investment option and the funds offered to members with regard to the demographics of Plan members.
<p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> • The Trustee reviews fund performance relative to their objectives quarterly on an “update” basis, with a full review carried out annually. • The Trustee monitors the investment managers’ engagement and voting activity as part of their ESG monitoring process. • The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
<p>How the method (and time horizon) of the evaluation of investment managers’ performance and the remuneration for their services are in line with the Trustee’s policies.</p>	<ul style="list-style-type: none"> • The Trustee reviews the performance of all of the Plan’s investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluates fund performance over a range of both shorter-term and longer-term periods. • Fund charges are reviewed annually to ensure these represent value for members.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> • The Trustee monitors turnover costs as part of the annual Chair’s Statement in the Trustee Report & Accounts.
<p>The duration of the Plan’s arrangements with the investment managers</p>	<ul style="list-style-type: none"> • The duration of the arrangements are flexible and the Trustee will from time-to-time consider the appropriateness of the funds and whether they should continue to be offered.