COMMUNISIS
PENSION PLAN

Defined Benefits Section
Interim Statement of Investment Principles

May 2023

Contents

1 Introduction

Plan background

- This Statement of Investment Principles (the "Statement") details the principles governing investment decisions for the defined benefits section of the Communisis Pension Plan (the "Plan").
- The Plan:
  - operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries,
  - is closed to new entrants and future accrual of benefits.
- Buck is investment consultant to Communisis Trustee (2011) Company Limited (the "Trustee").

Regulatory requirements and considerations

- This statement covers the requirements of, and the Plan's compliance with, the provisions of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 as well as additional non-statutory information recommended to be included following the Myners review of "Institutional Investing in the UK", the results of which were first published in 2001 (referred to as the "Myners Principles").
- The Myners Principles require trustee boards to act in a transparent and responsible manner. The information set out in this document helps ensure that the Trustee is complying with this requirement.
- In respect of the additional voluntary contributions provided on a money-purchase basis within the Plan, the Trustee has taken into account the requirements and recommendations within the Pension Regulator's DC code and regulatory guidance.

2 Statement of Investment Principles

Introduction

- This section of the Statement covers the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005.

- In accordance with section 35 of the Pensions Act 1995, the Trustee has reviewed and considered written advice from the investment consultant prior to the preparation of this Statement and has consulted the Sponsoring Employer.

- The Trustee will review this Statement, in consultation with the investment consultant and the Sponsoring Employer, at least once every three years, or more frequently if there are any significant changes in the Plan's circumstances. However, ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

Key investment principles

Kind of investments to be held

- The Trustee has full regard to its investment powers under the Trust Deed and Rules and the suitability of the various types of investments, the need to diversify, the custodianship of assets and any self-investment.

- The Plan may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, property, private equity, hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes. The Trustee has considered the attributes of the various asset classes (including derivative instruments), these attributes being:

  – security (or quality) of the investment,

  – yield (expected long-term return),

  – spread (or volatility) of returns,

  – term (or duration) of the investment,

  – exchange rate risk,

  – marketability/liquidity (i.e., the tradability on regulated markets),

  – taxation.

- The Trustee considers all of the stated classes of investment to be suitable to the circumstances of the Plan.

Investment Decisions

- All investment decisions relating to the Plan are under the Trustee's control without constraint by the Sponsoring Employer. The Trustee is obliged to consult with the Sponsoring Employer when changing this Statement.

- All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. Investment management agreements and/or an insurance contract have been exchanged with the investment managers and are reviewed from time to time to ensure that the manner in which they make investments on the Trustee's behalf is suitable for the Plan, and appropriately diversified.

Investment Objectives and Suitability of Investments:

- The Plan's investment strategy has been agreed by the Trustee having taken advice from the investment consultant and takes due account of the Plan's liability profile along with the level of disclosed surplus or deficit.

- The Trustee's agreed investment strategy is based on an analysis of the Plan's liability profile, the required investment return and the returns expected from the various asset classes over the long term. Long-term returns from equities and other growth assets are expected to exceed the returns from bonds and cash, although returns and capital values may demonstrate higher volatility. The Trustee is prepared to accept this higher volatility in order to aim to achieve the overall investment objectives.

- The Trustee's primary objectives are:

  - to provide appropriate security for all beneficiaries,

  - to achieve long-term growth sufficient to provide the benefits from the Plan, and

  - to achieve an appropriate balance between risk and return with regards to the cost of the Plan and the security of the benefits.

- The Trustee has translated its objectives into a suitable strategic asset allocation benchmark for the Plan, details of which are included in the appendices.

- In accordance with the Financial Services & Markets Act 2000, the Trustee is responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment managers authorised under the Act. Details are included in the appendices.

- The Trustee is responsible for reviewing both the Plan's asset allocation and investment strategy as part of each actuarial valuation in consultation with the Plan's investment consultant. The Trustee may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

- The Trustee considers the Plan's current strategic asset allocation to be consistent with the current financial position of the Plan. This assessment will be updated with reference to the Technical Provisions set out in the Plan's Statement of Funding Principles.

Diversification

- The Trustee, after seeking appropriate investment advice, has selected a strategic asset allocation benchmark for the Plan including control ranges for each asset class and or geographic region (see Appendix 1).

- Subject to their respective benchmarks and guidelines (shown in Appendix 1) the investment managers are given full discretion over the choice of stocks and are expected to maintain diversified portfolios.

- The Trustee is satisfied that the investments selected are consistent with its investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

- Given the size and nature of the Plan, the Trustee has decided to invest the majority of the Plan's assets on a pooled fund basis. All such investments are effected through direct agreements with the investment managers and/or through an insurance contract.

- The Trustee is satisfied that the range of vehicles in which the Plan's assets are invested provides adequate diversification.

Risk

- The Trustee considers the main risk to be that of the assets being insufficient to meet the Plan's liabilities as they fall due. The Trustee has assessed the likelihood of undesirable financial outcomes arising in the future.

- Investment policies are set with the aim of having sufficient and appropriate assets to cover the Plan's liabilities, and with the need to avoid undue contribution rate volatility.

- In determining its investment strategy, the Trustee has reflected the resulting portfolio following the 2022 gilt market volatility and illiquid nature of some of the Plan's assets. On this basis the strategy outlined in Appendix 1 of this Statement has been adopted. At an appropriate time (e.g. when liquidity constraints ease) the Trustee intends to complete a high level analysis assessing downside risk and expected return for different investment strategies relative to the Plan's liability profile and in conjunction with the upcoming triennial actuarial valuation.

- Although the Trustee acknowledges that the main risk is that the Plan will have insufficient assets to meet its liabilities, the Trustee recognises other contributory risks, including the following. Namely the risk:

    - associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors,

    - of the Plan having insufficient liquid assets to meet its immediate liabilities,

    - of the Plan having insufficient cash to meet regular cash outflows,

    - of the investment managers failing to achieve the required rate of return,

    - due to the lack of diversification of investments,

    - of failure of the Plan's Sponsoring Employer to meet its obligations.

- The Trustee manages and measures these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

- The Trustee undertakes monitoring of the investment managers' performance against their targets and objectives on a regular basis.

- Each fund in which the Plan invests has a stated performance objective by which investment performance will be measured. These are shown in Appendix 1. Within each asset class, the investment managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

- The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the Trustee, with assistance from the Plan's investment consultant. Any deviation from the target asset allocation will be discussed periodically with the investment consultant.

Expected return on investments

- The investment strategy is believed to be capable of exceeding, in the long run, the overall required rate of return assumed in the Scheme Actuary's published actuarial valuation report in order to reach / maintain a fully funded status under the agreed assumptions.

Realisation of investments

- In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustee requires the investment managers to be able to realise the Plan's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Plan. The Trustee recognises that the majority of the assets are illiquid in nature and there may be substantial delays in the divestment of the property income, unlisted infrastructure and direct lending assets. Because of this the Trustee closely monitors its cashflow and liquidity position.

Investment Manager Monitoring

- The Trustee will assess the performance, processes and cost effectiveness of the investment managers by means of regular reviews of the results and other information, in consultation with the investment consultant.

- All investment decisions, and the overall performance of the investment managers, are monitored by the Trustee with the assistance of the investment consultant.

- The investment managers will provide the Trustee with quarterly statements of the assets held along with a quarterly report on the results of the past investment policy and the intended future policy, and any changes to the investment processes applied to their portfolios. The investment managers will also report orally on request to the Trustee.

- The investment managers will inform the Trustee of any changes in the internal performance objective and guidelines of any pooled funds used by the Plan as and when they occur.

- The Trustee receives an independent investment performance monitoring report, including views on the Plan's investment managers, from the investment consultant on a six-monthly basis.

- Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

Performance Monitoring

- Each of the funds in which the Plan invests has a stated performance objective against which the performance is measured.

- The Trustee will review the performance of the investment managers from time to time, based on the results of their performance and investment process;

- The investment managers are expected to provide written reports on a quarterly basis; and

- The Trustee receives an independent investment performance monitoring report from its investment consultant on a six-monthly basis.

Balance between different kinds of investments

- The appointed investment managers will hold a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market each manager will maintain a diversified portfolio of securities.

The Trustee's policy in relation to financially material considerations

- The Trustee expects its investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

- The Trustee reviews from time to time the investment managers' policies in respect of financially material considerations.

The Trustee's policy in relation to the extent to which non-financial matters are taken into account

- The Trustee's objective is that the financial interests of the Plan members is its first priority when choosing investments. The Trustee will take members' preferences into account if it considers it appropriate to do so.

Stewardship in relation to the Plan's assets

- The Trustee has a fiduciary duty to consider its approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through its investment managers.

- The Trustee seeks to appoint managers that have strong stewardship policies and processes and is supportive of its investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

The Trustee’s policy in relation to engagement and monitoring

- The Trustee’s policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. Where voting rights are applicable each investment manager is expected to provide regular reports for the Trustee detailing their voting activity.

- The Trustee reviews each investment manager prior to appointment and monitors them on an ongoing basis by reviewing ESG ratings for each manager provided by the Plan’s investment consultant and annually reviewing the managers’ voting and engagement activity when preparing the Plan’s annual implementation statement.

- The Trustee will engage with an investment manager should they consider that manager’s voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the investment manager’s own policies, or if the investment manager’s policies diverge significantly from the views of the Trustee from time to time.

- The Trustee recognises that each investment manager’s ability to influence the companies in which they invest will depend on the nature of the investment.

- The Trustee acknowledges that the concept of stewardship may be less applicable to some of its assets, particularly for Cash and liability-driven investments. The Trustee believes that monitoring and engaging on these stewardship priorities will result in better long-term returns for the Plan and better outcomes for Plan members.

Employer-related investments

- The Trustee will not make direct investments in the Sponsoring Employer’s own securities. The amount of the Sponsoring Employer’s securities, owned by pooled investment vehicles invested in, is monitored. The Trustee has delegated the responsibility for the exercising of any voting rights attached to any Sponsoring Employer investment held to the investment managers.

Voting Rights attaching to Investments

- The Trustee’s policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustee detailing their voting activity. The Trustee will take corporate governance policies into account when appointing and reviewing such investment managers.

The Trustee’s policy in relation to its investment managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustee is to select investment managers that meet the primary objectives of the Trustee. As part of the selection process and the ongoing review of the investment managers, the Trustee considers how well each investment manager meets the Trustee’s policies and provides value for money over a suitable timeframe.

- **How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustee's policies**

  The Trustee has delegated the day-to-day management of the Plan's assets to investment managers. The Plan's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

- **How the arrangement incentivises the investment managers to engage and take into account financial and non-financial matters over the medium to long-term**

  The Trustee, in conjunction with its investment consultant, appoints its investment managers and chooses the specific pooled fund to use in order to meet specific Plan policies. It expects that its investment managers make decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Plan's performance) over an appropriate time horizon.
  The Trustee has decided not to take non-financial matters into account when considering its policy objectives.

- **How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustee's investment policies**

  The Trustee expects its investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustee reviews investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.
  If the Trustee determines that the investment manager is no longer managing the assets in line with the Trustee's policies it will make its concerns known to the investment manager and may ultimately disinvest.
  The Trustee pays its investment managers a management fee which is a fixed percentage of assets under management. Some investment managers also receive a performance incentive fee, of which further details are included in the appendices.
  Prior to agreeing a fee structure, the Trustee, in conjunction with its investment consultant, considers the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- **How the Trustee monitors portfolio turnover costs incurred by the investment manager, and how it defines and monitors targeted portfolio turnover or turnover range**

  The Trustee, in conjunction with its investment consultant, has processes in place to review investment turnover costs incurred by the Plan on an annual basis. The Trustee receives a report which includes the turnover costs incurred by the investment managers used by the Plan.
  The Trustee expects turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.
  The Trustee does not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee believes that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

- ### The duration of arrangements with investment managers

  The Trustee does not in general enter into fixed long-term agreements with its investment managers and instead retains the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustee's policies. However, the Trustee expects its manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

  The Trustee has entered into a long-term agreement with Arcmont and JP Morgan for illiquid investments:
  - Senior Loan Fund I
  - Senior Loan Fund II
  - Infrastructure Investments Fund

Additional Voluntary Contributions (AVCs)

- The Trustee has full discretion as to the appropriate investment vehicles made available to members of the Plan for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustee, having taken appropriate written advice from properly qualified and authorised financial advisers.

- The Trustee will continue to manage the AVC arrangements having taken professional advice on these matters.

- The Trustee will monitor the performance of AVC providers periodically.

- Members are directed to seek independent financial advice when considering their AVC arrangements. The Plan's AVC providers are as follows:

    - Aviva

    - Utmost

3 Appointments & Responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Plan.

Trustee

The Trustee's primary responsibilities include:

- preparation of this Statement, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The Statement will also be reviewed following a significant change to investment strategy and/or the investment managers,

- appointing investment consultants and investment managers as necessary for the good stewardship of the Plan's assets,

- reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Plan's liabilities, taking advice from the investment consultant,reviewing the stewardship / voting policies of the investment managers and undertaking the ongoing monitoring and engagement with their investment managers as appropriate.

- assessing the processes (and therefore the performance) of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance),

- monitoring compliance of the investment arrangements with this Statement on a regular basis, and

- monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustee in respect of the Plan's equity holdings.

Investment Consultant

The main responsibilities of the investment consultant include:

- assisting the Trustee in the preparation and periodic review of this Statement in consultation with the Sponsoring Employer,

- undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustee,

- advising the Trustee on the selection and review of the investment managers,

- providing training or education on any investment related matter as and when the Trustee sees fit, and

- monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment Managers

The investment managers' main responsibilities include:

- investing assets in a manner that is consistent with the objectives set,
- ensuring that investment of the Plan's assets is compliant with prevailing legislation and the constraints detailed in this Statement,
- providing the Trustee with quarterly reports including any changes to their investment process and a review of the investment performance,
- attending meetings with the Trustee as and when required,
- informing the Trustee of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur, and
- exercising voting rights on shareholdings in accordance with their general policy.

Custodian

The custodians used are responsible for the safe keeping of the Plan's assets.

- The custodianship arrangements are those operated by the investment managers for all clients investing in their pooled funds.

Administrators

- The administrator's primary responsibilities are the day-to-day administration of the Plan and the submission of specified statutory documentation, as delegated by the Trustee.
- The Plan's administrator is Buck.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- commenting on the suitability of the Plan's investment strategy given the financial characteristics of the Plan; and
- performing the triennial (or more frequently as required) actuarial valuation and advising on the Plan's funding level and therefore the appropriate level of contributions in order to aid the Trustee in balancing short-term and long-term investment objectives.

The Scheme Actuary is employed by Buck.

Signed on behalf of the Trustee of the Plan:

Rebecca Wood
……………………………………………….   ……………………………………………..

Name   Signature

28 July 2023
……………………………………………..

Date

Appendix 1– Strategic Benchmark and Objectives

Plan’s interim target asset allocation

The Plan’s target asset allocation is tabulated below. The Trustee is in the process of moving to a new investment strategy following agreement to de-risk in October 2022. As a large proportion of the Plan’s assets (c.60%) are illiquid, the transition to the allocation below will be gradual and contingent on the receipt of redemptions from illiquid mandates. The Trustee plans to review the investment strategy once the interim strategy has been reached.

Asset Type	Investment Style	Allocation (%)	Control Range (%)
Long Lease Property	Active	14.0	10.0 – 20.0
Direct Lending[1]	Active	25.0	15.0 – 35.0
Unlisted Infrastructure	Active	18.0	10.0 – 26.0
LDI	Active (mechanistic)	25.0	15.0 – 35.0
Cash	Active	18.0	10.0 – 30.0
Total		**100.0**	

Notes:

1. Exposure to direct lending is through a limited partnership fund that draws down capital from investors and after a period of time the capital associated with the underlying loans is paid back to investors. The Plan has committed capital to two direct lending fund vintages. At the start and end of these arrangements the exposure to this asset class will be towards the lower end of the control range.

2. The LDI hedging objective will be determined when there is greater certainty over liquidity available to support liability hedging.

The Plan also has an investment in a Scottish Limited Partnership (“SLP”) which, from 2012, is expected to pay an income of £1,150,000 per annum to the Trustee. This income is payable until 2031, subject to certain pre-agreed events that may occur in the future. The underlying asset for the SLP is a property occupied by Communisis. If Communisis were to become insolvent during this period, then the Trustee would have certain rights to sell the property in order to meet the outstanding income payable. At the date of this Statement, this asset represented approximately 5% of Plan assets, and it is expected to diminish in value over time.

Benchmarks & performance objectives

Benchmark indices and relative performance objectives for each of the funds in which the Plan is invested are outlined below. All performance targets are gross of fees and relate to rolling three-year periods.

Manager	Asset Type	Fund	Benchmark Index	Objective % p.a.
LGIM	Long Lease Property	LPI Income Property Fund	None	To provide an income stream expected to rise annually with LPI
JP Morgan	Unlisted Infrastructure	Infrastructure Investments Fund	None	8-12% Net IRR
Arcmont	Direct Lending	Senior Loan Fund I	None	7.0% (net IRR)
		Senior Loan Fund II	None	6% - 7.5% (net IRR)
Insight	LDI	Enhanced Selection Funds	Gilt and swap rates	Outperform
	Cash	Liquidity Plus Holding Fund	SONIA	To provide stability of capital and income through investment in short term fixed income and variable rate securities

Appendix 2 – Fees

Investment manager fees

Manager	Fund	Base Fees[1] % p.a.
LGIM	LPI Income Property Fund	0.4 on first £7.5m and 0.35 on next £12.5m
JP Morgan	Infrastructure Investments Fund	0.82 on paid-in capital[2]
Arcmont	Senior Loan Fund I	1.0[3]
	Senior Loan Fund II	0.75[4]
Insight	Enhanced Selection Funds	0.10 based on exposure value
	Liquidity Plus Holding Fund	0.1

Notes:

1. Fees shown are base fees before any performance fee. In addition, third party administration costs may apply.

2. A performance fee of 15% applies above 7% with no catch-up, capped at 13.5% (net of fees and expenses).

3. A performance fee of 15% applies above 5% with full catch-up.

4. A performance fee of 10% applies above 4% with full catch-up.

Investment consultancy fees

The investment consultant provides agreed services on a fixed fee basis, with additional projects provided on a time cost basis subject to agreement in advance.

The basis of remuneration is kept under review.